NEW ISSUE - BOOK ENTRY ONLY

RATINGS: Moody's: "Aaa"
Standard & Poor's: "AAA"
Fitch: "AAA"
(See "Ratings" herein)

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP Co-Bond Counsel to the NMFA, based on currently existing laws, regulations, decisions and interpretations and assuming, among other things, continuing compliance with certain covenants, interest on the Series 2000A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. In the opinion of such Co-Bond Counsel, under existing laws, interest on the Series 2000A Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes. Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2000A Bonds. See "TAX MATTERS."

$4,715,000
NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS
SERIES 2000A

DATED: January 1, 2000 **DUE: June 1, as shown on inside cover**

The New Mexico Finance Authority's Public Project Revolving Fund Revenue Bonds, Series 2000A (the "Series 2000A Bonds"), are being issued as fully registered bonds in denominations of $5,000 or any multiple thereof. The Depository Trust Company will act as securities depository for all of the Series 2000A Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each maturity of the Series 2000A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2000A Bonds will be made in book-entry form only and beneficial owners of the Series 2000A Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Series 2000A Bonds.

The Series 2000A Bonds will be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995, as heretofore supplemented and amended, and as further supplemented and amended by a Twenty-First Supplemental Indenture of Trust, dated as of January 1, 2000 (collectively, the "Indenture"), between the New Mexico Finance Authority (the "NMFA") and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico, as Trustee. Principal of and interest on the Series 2000A Bonds will be payable to DTC, or its nominee, as owner of the Series 2000A Bonds, by the Trustee. Interest on the Series 2000A Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2000, as more fully described herein. Principal of the Series 2000A Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedule set forth on the inside front cover.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER

The Series 2000A Bonds are subject to mandatory redemption prior to maturity as more fully described herein. The Series 2000A Bonds will not be subject to optional redemption.

The Series 2000A Bonds are being issued by the NMFA to finance a loan to Valencia County, New Mexico (the "County") to construct, purchase, furnish, and equip an adult correctional facility for the County and to finance the costs of issuance of the Series 2000A Bonds. The principal of, premium, if any, and interest on the Series 2000A Bonds are payable solely from and secured solely by the Trust Estate, which includes the NMFA Portion of the Governmental Gross Receipts Tax (defined herein), certain amounts payable pursuant to a loan agreement between the NMFA and the County (the "2000A Agreement") and certain payments from other Governmental Units heretofore or hereafter entering into agreements with the NMFA (together with the 2000A Agreement, the "Agreements") and certain moneys in funds and accounts described herein. Additional parity bonds have heretofore been issued and may hereafter be issued pursuant to the Indenture with a lien on the Trust Estate on a parity with the lien of the Series 2000A Bonds on the Trust Estate.

The Series 2000A Bonds are special, limited obligations of the NMFA, payable, together with certain additional bonds heretofore or hereafter issued, solely from and secured solely by the Trust Estate pledged under the Indenture. The Series 2000A Bonds do not constitute or create a general obligation or other indebtedness of the State of New Mexico or (except as expressly provided in an Agreement) any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 2000A Bonds or the Indenture is to be construed or interpreted as creating a delegation of governmental powers or as a donation by or lending of the credit of the NMFA, the State, the County, or any other Governmental Unit within the meaning of the State Constitution.

The principal of and interest on the Series 2000A Bonds will be insured by a policy of municipal bond insurance issued by MBIA Insurance Corporation simultaneously with the delivery of the Series 2000A Bonds.

MBIA

The NMFA has undertaken, for the benefit of owners of the Series 2000A Bonds, to provide certain annual and periodic disclosures as described herein under the caption "CONTINUING DISCLOSURE UNDERTAKING."

Approval of certain legal matters will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Co-Bond Counsel to the NMFA, Albuquerque, New Mexico. Certain legal matters, including certain legal matters with respect to the tax status of the interest paid on the Series 2000A Bonds, will be passed on by Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, Salt Lake City, Utah. Certain legal matters will be passed on for the NMFA by the Office of the Attorney General of the State of New Mexico and for the Underwriters by their counsel, Sutin Thayer & Browne A Professional Corporation. Clancy, Gardiner & Pierce, LLC has acted as financial advisor to the NMFA in connection with the Series 2000A Bonds. It is expected that a single certificate for each maturity of the Series 2000A Bonds will be issued to DTC or its agent on or about January 26, 2000. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 2000A Bonds.

George K. Baum & Company

Dain Rauscher Incorporated **U.S. Bancorp Piper Jaffray Inc.**

Dated: January 13, 2000

MATURITY SCHEDULE

$4,715,000
New Mexico Finance Authority
Public Project Revolving Fund Revenue Bonds
Series 2000A

Due June 1	Principal Amount	Interest Rate	Price/ Yield
2000	$ 40,000	4.10%	100.00%
2001	450,000	4.40	100.00
2002	465,000	4.70	100.00
2003	490,000	4.80	100.00
2004	515,000	4.90	100.00
2005	540,000	5.00	100.00
2006	565,000	5.10	100.00
2007	595,000	5.20	100.00
2008	625,000	5.25	100.00
2009	430,000	5.30	100.00

No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than as contained in this Official Statement, in connection with the offering of the Series 2000A Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the NMFA or the Underwriters. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized or in which any person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information contained in this Official Statement has been obtained from the NMFA, Valencia County and other sources which are believed by the NMFA to be reliable. While the Underwriters have performed a review sufficient to form a reasonable basis for their belief in the accuracy and completeness of the key representations of the NMFA contained in this Official Statement, the Underwriters do not guarantee the accuracy or completeness of the Official Statement. The information in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the NMFA, the County or others since the date hereof.

The Series 2000A Bonds have not been registered under the Securities Act of 1933, nor has the Indenture been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contain in such Acts. The registration and qualification of the Series 2000A Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2000A Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2000A Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement contains statements relating to the NMFA's and Valencia County's future financial plans, receipt of future revenues and other matters that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend," "anticipate", "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

TABLE OF CONTENTS

TABLE OF CONTENTS

(This Page Intentionally Left Blank)

OFFICIAL STATEMENT

$4,715,000
NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS
SERIES 2000A

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale of the $4,715,000 Public Project Revolving Fund Revenue Bonds, Series 2000A (the "Series 2000A Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2000A Bonds, together with additional bonds heretofore or hereafter issued on parity therewith, are collectively referred to herein as the "Bonds." Capitalized terms used herein and not defined have the meanings specified in the General Indenture of Trust and Pledge dated as of June 1, 1995, as heretofore supplemented and amended (the "General Indenture") between the NMFA and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico (the "Trustee"), and as further supplemented and amended by the Twenty-First Supplemental Indenture of Trust dated as of January 1, 2000 (the "Supplemental Indenture") between the NMFA and the Trustee and are set forth under "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - CERTAIN DEFINITIONS" in Appendix B hereto. The General Indenture and the Supplemental Indenture are collectively referred to herein as the "Indenture." See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2000A Bonds to potential investors is made only by means of the entire Official Statement.

New Mexico Finance Authority

The NMFA, established by the legislature of the State of New Mexico (the "State") in 1992, is a governmental instrumentality created to coordinate the planning and financing of state and local public projects. The NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the State, except that a legislative oversight committee is empowered to monitor and oversee its operations. For additional information concerning the NMFA, see "NEW MEXICO FINANCE AUTHORITY" herein and the financial statements included as Appendix A hereto.

Purpose of the Series 2000A Bonds; the County; other Governmental Units

The NMFA will use the proceeds from the sale of the Series 2000A Bonds to make a loan to Valencia County, New Mexico (the "2000A Governmental Unit" or the "County") to construct, purchase, furnish, and equip an adult correctional facility for the County and to finance the costs of issuance of the Series 2000A Bonds (the "2000A Project"). The County has purchased the land on which the 2000A Project is to be constructed with revenues received from the Correctional Facility Tax (as defined herein). For certain information concerning the County and the 2000A Project, see "THE PLAN OF FINANCING" and "Appendix D - Certain Information Concerning the County" herein. In connection with the issuance of the Series 2000A Bonds, the County and the NMFA will execute and deliver a loan agreement (the "2000A Agreement"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The 2000A Agreement, together with loan agreements, grant agreements and securities relating to parity bonds issued or to be issued, are referred to herein as the "Agreements." The County together with other governmental units entering into Agreements are herein collectively referred to as "Governmental Units."

Bonds with a lien on the Trust Estate on a parity with the lien thereon of the Series 2000A Bonds have been issued previously and may be issued in the future to provide loans and grants to and to purchase securities from certain other Governmental Units. See "PLAN OF FINANCING - Governmental Units and Projects". For a description of the parity bonds currently outstanding, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Outstanding Parity Bonds."

Authority for Issuance

The Series 2000A Bonds are being issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMSA 1978, as amended (the "Act"), and the Indenture. For a description of the Public Project Revolving Fund Program, see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein.

Terms of the Series 2000A Bonds

Payments

The Series 2000A Bonds will be dated January 1, 2000. Interest on the Series 2000A Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2000. The Series 2000A Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear the interest rates shown on the inside front cover hereof.

Denominations

The Series 2000A Bonds are issuable in denominations of $5,000 or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry form only, and purchasers of the Series 2000A Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest, on the Series 2000A Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2000A Bonds, all as more fully described in "THE SERIES 2000A BONDS - Book-Entry-Only System." *When reading this Official Statement, it should be understood that while the Series 2000A Bonds are in book-entry-only form, references in other sections of this Official Statement to Owners should be read to include the person for whom the Participants (as hereinafter defined) and indirect participants acquire an interest in the Series 2000A Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system as described more fully herein, and (ii) notices that are to be given to Owners by the NMFA, the Trustee, the Registrar or the Paying Agent will be given only to DTC.*

Redemption of the Series 2000A Bonds

The Series 2000A Bonds are subject to mandatory redemption prior to maturity. The Series 2000A Bonds will not be subject to optional redemption. See "THE SERIES 2000A BONDS - Redemption of the Series 2000A Bonds."

Security and Sources of Payment for the Bonds

Special, Limited Obligations

The Series 2000A Bonds are special, limited obligations of the NMFA payable solely from the Trust Estate, which includes the Revenues described below and certain funds and accounts created and maintained pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special, Limited Obligations."

Revenues

Revenues are defined by the General Indenture to mean: (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned on and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund). For a description of the Agreements, the NMFA Portion of the Governmental Gross Receipts Tax and the Additional Pledged Loans, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues." For a description of the funds and accounts created by the Indenture see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Flow of Funds." See also "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

The Revenues will include the payments by the County under the 2000A Agreement as described in clause (i) in the preceding paragraph. The County is pledging two sources of revenues to its payments under the 2000A Agreement: (a) the revenues derived from the imposition of its one-eighth of one percent increment of county correctional facility gross receipts tax (the "Correctional Facility Tax") and (b) the revenues derived from its first one-eighth of one percent increment of county gross receipts tax (the "County Gross Receipts Tax"). For more information regarding the County's pledge see "PLEDGE OF THE COUNTY" herein and "Certain Information Concerning the County" in Appendix D hereto.

Additional Bonds

The NMFA must meet certain requirements prior to the issuance of Additional Bonds or other obligations with a lien on the Trust Estate on a parity with the lien of the Series 2000A Bonds. For a description of these requirements, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Bonds." For a discussion of the outstanding parity bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Outstanding Parity Bonds." The NMFA may not issue bonds or other indebtedness payable with a priority senior to the lien on the Trust Estate of the Bonds without the written consent of 100% of the owners of Outstanding Bonds. The NMFA may issue, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinate to that of the Series 2000A Bonds.

Bond Insurance

The principal of and interest on the Series 2000A Bonds will be insured by a municipal bond insurance policy (the "Financial Guaranty Insurance Policy") to be issued by MBIA Insurance Corporation (the "Bond Insurer") simultaneously with the issuance of the Series 2000A Bonds. For information concerning the Bond Insurer and the Financial Guaranty Insurance Policy to be issued for the Series 2000A

Bonds, see "BOND INSURANCE" herein. See Appendix G for a specimen of the Financial Guaranty Insurance Policy.

Continuing Disclosure

The NMFA has undertaken for the benefit of the Bond Owners that, so long as the Series 2000A Bonds remain outstanding, the NMFA will provide certain annual financial information with respect to the NMFA and any Governmental Unit whose repayment obligations to the NMFA will represent more than 5% of the estimated annual Revenues for any year during which the Series 2000A Bonds are outstanding to each nationally recognized municipal securities information repository and notice of certain material events to the Municipal Securities Rulemaking Board (the "MSRB") in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as described in "CONTINUING DISCLOSURE UNDERTAKING."

Continuing disclosure undertakings previously entered into by NMFA called for it to file an annual report and audit with respect to the Fiscal Year ended June 30, 1997, no later than 270 days after the end of such fiscal year. In November 1998, the NMFA discovered that such report and audit had not yet been filed. On November 25, 1998, the NMFA notified the MSRB of its failure to file the report and audit and by December 15, 1998, such report and audit had been filed with the NRMSIRs. The NMFA believes that it is now in compliance with its continuing disclosure undertakings.

Tax Considerations

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2000A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

In the opinion of such Co-Bond Counsel, under existing laws of the State of New Mexico as currently enacted and construed, interest on the Series 2000A Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2000A Bonds.

The form of opinion to be delivered by Ballard Spahr Andrews & Ingersoll, LLP, as Co-Bond Counsel to the NMFA, is included in Appendix E hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 2000A Bonds, see "TAX MATTERS" herein.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2000A Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel to the NMFA, will deliver its opinion included in Appendix F hereto and Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel, will deliver its opinion discussed under "TAX MATTERS" and included in Appendix F hereto. Certain legal matters relating to the Series 2000A Bonds will be passed upon for the Underwriters by their counsel, Sutin Thayer & Browne A Professional Corporation. Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. See "LEGAL MATTERS." Clancy, Gardiner & Pierce, LLC has acted as financial advisor to the NMFA in connection with its issuance of the Series 2000A Bonds. See "EXPERTS."

The NMFA's financial statements for the Fiscal Year ended June 30, 1999, included in Appendix A hereto, have been audited by Neff & Ricci, LLP, certified public accountants, Albuquerque, New Mexico.

Offering and Delivery of the Series 2000A Bonds

The Series 2000A Bonds are offered when, as and if issued, subject to approval as to their legality by Co-Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each maturity of the Series 2000A Bonds will be issued to DTC in New York, New York, or its agent on or about January 26, 2000.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 1751 Old Pecos Trail, Suite L, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 2000A Bonds.

THE SERIES 2000A BONDS

Generally

Set forth below is a summary of certain provisions of the Series 2000A Bonds. Other information describing the Series 2000A Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Indenture and the Series 2000A Bonds. For a description of certain provisions of the Indenture, see "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto. Copies of the approved forms of the Indenture are available as provided in "ADDITIONAL INFORMATION."

The Series 2000A Bonds are being issued pursuant to the Act, the Indenture and resolutions adopted by the NMFA on May 27, 1999 and adopted on January 13, 2000. Proceeds of the Series 2000A Bonds will be loaned to the County pursuant to the 2000A Agreement to construct, purchase, furnish, and equip an adult correctional facility for the County as a part of the NMFA's Public Project Revolving Fund Program. For a description of such program see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein.

Proceeds of the Series 2000A Bonds will also be used for payment of costs of issuance of the Series 2000A Bonds. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

Description of the Series 2000A Bonds

The Series 2000A Bonds are being issued pursuant to the Indenture and will be dated January 1, 2000. Interest on the Series 2000A Bonds will accrue from the dated date of the Series 2000A Bonds at the rates set forth on the inside front cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), on June 1 and December 1 of each year, commencing June 1, 2000. The Series 2000A Bonds will be issued in the aggregate principal amount and will mature on the dates and in the amounts shown on the inside front cover (unless redeemed prior to maturity). The Series 2000A Bonds are issuable in denominations of $5,000 or integral multiples thereof (the "Authorized Denominations").

As long as no Event of Default (as defined in the Indenture) exists under the Indenture and so long as the Bond Insurer is not in payment default under the Financial Guaranty Insurance Policy, the Bond Insurer will be considered to be an owner of the Series 2000A Bonds and will have the same rights as owners of the Series 2000A Bonds. In the event that an Event of Default exists under the Indenture and so long as the Bond Insurer is not in payment default under such policy, the Bond Insurer will be deemed to be the sole owner of the Series 2000A Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the Series 2000A Bonds would be entitled to take pursuant to the Indenture.

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the NMFA believes to be reliable, but the NMFA takes no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2000A Bonds. One fully registered bond for each maturity, in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC, and will be deposited with DTC or its agent.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2000A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2000A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2000A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2000A Bonds are to be accomplished by entries made on the books of Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2000A Bonds, except in the event that use of the book-entry system for the Series 2000A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2000A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2000A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2000A Bonds. DTC's records reflect only the identity of the Participants to whose accounts such Series 2000A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

For every transfer and exchange of Series 2000A Bonds or an interest therein, the Beneficial Owner may be charged a service charge together with a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2000A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2000A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2000A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the Series 2000A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the NMFA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the NMFA or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

So long as Cede & Co. or its registered assign is the registered owner of the Series 2000A Bonds, the NMFA and the Trustee will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the NMFA or the Trustee and the NMFA and the Trustee will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Series 2000A Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC, and neither NMFA nor the Trustee has responsibility for distributing such notices to the Beneficial Owners.

Neither the NMFA nor the Trustee have any responsibility or obligation to the DTC Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series 2000A Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2000A Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Series 2000A Bonds.

DTC may discontinue providing its services as securities depository with respect to the Series 2000A Bonds at any time by giving reasonable notice to the NMFA or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The NMFA may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed.

Redemption of the Series 2000A Bonds

The Series 2000A Bonds are not subject to optional redemption but shall be subject to mandatory redemption prior to maturity as set forth below.

Mandatory Redemption Upon Prepayment under the 2000A Agreement

Pursuant to Section 7-20F-3(I) NMSA 1978 authorizing the imposition of the Correctional Facility Tax, revenue produced by the Correctional Facility Tax in excess of the annual principal and interest due on the 2000A Agreement may be accumulated in a reserve account until the reserve account reaches the maximum amount permitted by the U.S. Treasury regulations. After the reserve account has been funded to the maximum amount allowable, Section 7-20F-3(I) requires that any excess Correctional Facility Tax revenues be accumulated in an extraordinary mandatory redemption fund and annually used to redeem bonds prior to their stated maturity.

To comply with Section 7-20F-3(I), the County is required to make an annual prepayment under the 2000A Agreement from any excess Correctional Facility Tax revenues not needed to pay the principal and interest due on the 2000A Agreement, to pay Program Costs, and to fund the County's reserve account under the 2000A Agreement (the "Agreement Reserve Account"). The NMFA is required to redeem Series 2000A Bonds on or as soon as reasonably practicable after June 2 in each year using Correctional Facility Tax revenues received by the Trustee prior to June 1 which are in excess of amounts necessary to pay debt service on the Series 2000A Bonds, Program Costs, and to fund the Agreement Reserve Requirement if such excess receipts are $5,000 or more. For a more detailed description of the flow of funds, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Flow of Funds." See also "Estimated Tax Receipts - Debt Service on the Series 2000A Bonds." The Series 2000A Bonds to be redeemed shall be in inverse order of maturity at par plus accrued interest and shall correspond to the principal amounts and due dates of the principal amount of such prepayment; provided that Series 2000A Bonds shall only be redeemed in Authorized Denominations. The Series 2000A Bonds to be redeemed within each maturity are to be selected by lot in such manner as the Trustee deems appropriate.

Defeasance

The County has the option to prepay, in whole or in part, its obligations under its 2000A Agreement at any time. Any prepayment other than from excess Correctional Facility Tax revenues described in the previous paragraph must be in integral multiples of $5,000 plus accrued interest to the maturity date of the corresponding outstanding Series 2000A Bonds to be paid. Such prepayment will not result in the prior redemption of Series 2000A Bonds.

<u>General</u>.

The NMFA is required to recalculate the Loan Payments due under the 2000A Agreement in the case of a mandatory redemption of the Series 2000A Bonds as described above to reflect the amounts and maturities of the Series 2000A Bonds redeemed.

Notice of Redemption

In the event any of the Series 2000A Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2000A Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar at least 30 days, but not more than 60 days, prior to the date fixed for redemption.

In addition, further notice of any redemption of Series 2000A Bonds is to be given by the Trustee at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 2000A Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 2000A Bonds. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

If at the time of mailing of any notice of redemption there is not on deposit with the Trustee moneys sufficient to redeem all the Series 2000A Bonds called for redemption, such notice is to state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

A second notice of redemption is to be given, not later than 90 days subsequent to the redemption date, to Registered Owners of Series 2000A Bonds or portions thereof redeemed but who failed to deliver Series 2000A Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such Series 2000A Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 2000A Bonds.

Partially Redeemed Series 2000A Bonds

In case any Series 2000A Bond is redeemed from excess Correctional Facility Tax revenues in part, upon the presentation of such Series 2000A Bond for such partial redemption, the NMFA shall execute and the Trustee shall authenticate and deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the NMFA, a Series 2000A Bond or Series 2000A Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2000A Bond. A portion of any Series 2000A Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or an integral multiple thereof and in selecting portions of such Series 2000A Bonds for redemption, the Trustee will treat each such Series 2000A Bond as representing that number of Series 2000A Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 2000A Bonds by $5,000.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special, Limited Obligations

The Series 2000A Bonds are special, limited obligations of the NMFA payable solely from the Revenues, proceeds of the Series 2000A Bonds (until used as provided in the Indenture) and other moneys held in certain funds and accounts held by the Trustee under the Indenture (the "Trust Estate"). **The Series 2000A Bonds shall not constitute nor create a general obligation or other indebtedness of the State or (except as expressly provided in an Agreement) any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 2000A Bonds shall be construed or interpreted as creating a delegation of governmental powers nor as a donation by or lending of the credit of the NMFA, the State or any Governmental Unit within the meaning of the Constitution of the State. THE NMFA HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2000A Bonds shall not constitute or give rise to a pecuniary liability on the part of the directors and officers of the NMFA. No breach**

of any pledge, obligation or agreement of the NMFA shall impose a pecuniary liability or a charge upon the general credit or taxing power of the State or any political subdivision of the State.

Revenues

Generally

Revenues include (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the funds and accounts created under the Indenture (except the Rebate Fund). As discussed under "Flow of Funds" below, revenues received from a Governmental Unit by the Trustee on behalf of the NMFA pursuant to an Agreement are deposited in a separate account of the Debt Service Fund established for that Governmental Unit and are periodically transferred by the Trustee to the Bond Fund and used to make debt service payments on the Bonds. All revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax and from any Additional Pledged Loans are transferred to the Trustee and deposited in the Revenue Fund. Moneys in the Revenue Fund are used each Bond Fund Year to pay debt service on the Bonds to the extent that moneys in the several accounts of the Debt Service Fund are insufficient and to pay debt service on the portions of the Bonds used to finance grants. At the end of each Bond Fund Year moneys in the Revenue Fund in excess of the requirements for such moneys under the Indenture are transferred to the NMFA and are no longer part of the Trust Estate. For a more complete description of the funds and accounts into which Revenues are deposited, see "Flow of Funds" below under this caption, and EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts" in Appendix B hereto.

The Agreements and the Agreement Pledged Revenues

Generally. The Agreements consist of Loan Agreements and Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of their respective projects by the NMFA. (Under the Indenture "Agreements" also includes Grant Agreements, however the Grant Agreements contain no repayment provisions.) Under each Loan Agreement or issue of Securities, the respective Governmental Unit pledges to the NMFA for payment of all amounts due under their respective Agreements (i) revenues of specific enterprise systems or revenues attributable to certain taxes (such pledged revenues the "Agreement Pledged Revenues") and (ii) moneys in certain funds and accounts held by the Trustee. Each Governmental Unit executing a Loan Agreement or issuing Securities warrants to promptly pay principal of and interest on its loan from its Agreement Pledged Revenues and to continue such payments until its loan is paid in full.

Agreement Reserve Fund. Pursuant to the Indenture, an Agreement Reserve Fund has been created which will be held by the Trustee. Within such fund currently are accounts relating to those Governmental Units having a repayment obligation to the NMFA pursuant to a Loan Agreement or Securities for which the NMFA determined to require such accounts. The NMFA has determined to require such an account for the County.

In the case of the Agreement Reserve Account for the County, the Agreement Reserve Requirement will be satisfied through deposits by the County from Correctional Facility Tax revenues not used to make the annual debt service payments and Program Cost payments related to the Series 2000A Bonds. The Agreement Reserve Requirement for the Agreement Reserve Account for the County will be an amount not to exceed the least of (i) 10% of the 2000A Agreement principal amount, (ii) 125% of the average aggregate annual debt service requirements under the 2000A Agreement, and (iii) the maximum aggregate annual debt service requirements under the 2000A Agreement. Based on current forecasts of the growth of the Correctional Facility Tax, it is expected that the 2000A Agreement Reserve Requirement will never be fully funded. Amounts in the County's Agreement Reserve Account in the Agreement Reserve Fund will be withdrawn by the Trustee and deposited into the County's Debt Service Account in the Debt Service Fund to the extent of any shortfall in payments by the County under the 2000A Agreement. **Amounts in the County's Agreement Reserve Account in the Agreement Reserve Fund will not be used to cover shortfalls in payments of other Governmental Units and will not otherwise be available to defray deficiencies in the Bond Fund.** See "PLAN OF FINANCING - Sources and Uses of Funds" herein and "Flow of Funds" below under this caption.

For a discussion of the separate reserve account established within the Revenue Fund see "Flow of Funds" below under this caption.

Agreement with the County. In connection with the issuance of the Series 2000A Bonds, the County will execute and deliver the 2000A Agreement with the NMFA. It has pledged specific Agreement Pledged Revenues to the repayment of its Loan. A brief description of the Agreement Pledged Revenues and the 2000A Agreement for the County is set forth under "PLEDGE OF THE COUNTY" herein and under "CERTAIN INFORMATION CONCERNING THE COUNTY" in Appendix D hereto. The Agreement Reserve Account for the County will be funded solely from Correctional Facility Tax revenues in excess of the amounts needed to pay the principal and interest and the Program Costs due under the 2000A Agreement. See "FLOW OF FUNDS" herein.

Agreements with Other Governmental Units. The NMFA has entered into Agreements with other Governmental Units. For a description of such Agreements, including a brief description of the Agreement Pledged Revenues for such Governmental Units, see the associated Official Statement for each specific Public Project Revolving Fund revenue bond series, each of which is on file with the Municipal Securities Rulemaking Board ("MSRB"). For a listing of each Governmental Unit which has an outstanding Agreement with the NMFA which has been financed with the proceeds of Bonds and the amount outstanding, see "Currently Outstanding Obligations Which Are Included In The Trust Estate" herein.

No Obligation of Governmental Units to Cover Shortfalls. A Governmental Unit is not required to make up any Loan Payment not paid in full by another Governmental Unit or to make up any insufficiency in the NMFA Portion of the Governmental Gross Receipts Tax.

The Governmental Gross Receipts Tax

Generally. Pursuant to Section 7-1-6.38, NMSA 1978, the NMFA is allocated 75% of all net receipts of a governmental gross receipts tax which is levied and collected pursuant to Section 7-9-4.3, NMSA 1978. For purposes of this Official Statement, the 75% net receipts which is allocated to NMFA is referred to as the "NMFA Portion of the Governmental Gross Receipts Tax." Under the Indenture, the NMFA Portion of the Governmental Gross Receipts Tax, and payments attributable to Additional Pledged Loans, if any, shall be paid when received by NMFA to the Trustee and shall be accounted for and maintained by the Trustee in the Revenue Fund created under the Indenture within the Public Project Revolving Fund and are available (i) to pay debt service on the Bonds to the extent Loan Payments paid by the Governmental Units pursuant to the Agreements are not sufficient to pay debt service when due and (ii) to pay debt service on the portions of the Bonds issued to fund Grants. See "Flow of Funds" under this caption for additional information on the use of moneys in the Revenue Fund.

Pursuant to Section 7-9-4.3, NMSA 1978, the governmental gross receipts tax is imposed on the governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except school districts and certain health care entities. See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Exhibit B hereto for certain information concerning the Revenue Fund and allocation of amounts therein to payment of principal and interest on the Bonds.

Governmental gross receipts are defined in Section 7-9-3.2, NMSA 1978, as all receipts of the State of New Mexico or any agency, institution, instrumentality or public subdivision thereof except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services, from:

(a) the sale of tangible personal property other than water from facilities open to the general public;

(b) the performance of or admissions to recreational, athletic or entertainment services or events in facilities open to the general public;

(c) refuse collection, refuse disposal or both;

(d) sewage services; and

(e) the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the State of New Mexico.

The definition of governmental gross receipts includes receipts from the sale of tangible personal property handled on consignment when sold from facilities open to the general public, but excludes cash discounts taken and allowed, governmental gross receipts tax payable on transactions reportable for the period and any type of time-price differential.

The governmental gross receipts tax was enacted into law and first imposed in 1991. It is imposed at a rate of 5% on governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services. In addition, the governmental gross receipts tax is not imposed on: (i) receipts from transactions involving tangible personal property or services on which the gross receipts tax, compensating tax, motor vehicle excise tax, gasoline tax, special fuel tax, special fuel excise tax, oil and gas emergency school tax, resources tax, processors tax, service tax, or the excise tax imposed under Section 66-12-6.1 NMSA 1978, are imposed; (ii) receipts from the sale of gas or electricity by a utility owned or operated by a county, municipality or other political subdivision or on receipts from operation of a cable television system owned or operated by a municipality, because those receipts are subject to the regular gross receipts tax under Section 7-9-13, NMSA 1978, or (iii) receipts from selling livestock and receipts of growers, producers, trappers or nonprofit marketing associations from selling livestock, live poultry, unprocessed agricultural products, hides or pelts.

Deductions from the governmental gross receipts tax include: (i) certain receipts from selling tangible personal property to the United States or the State or any governmental unit or subdivision, agency, department or instrumentality thereof; (ii) certain receipts from selling tangible personal property to an Indian tribe, nation or pueblo or any governmental subdivision, agency, department or instrumentality thereof for use on Indian reservations or pueblo grants; (iii) certain receipts from the sale of tangible personal property to a person engaged in the business of manufacturing and receipts from selling tangible personal property or licenses if the sale is made to a person who delivers a non-taxable transaction certificate to the seller; (iv) receipts from transactions in interstate commerce; (v) receipts from selling a service for resale if the sale is made to a person who delivers a nontaxable transaction certificate; (vi) certain receipts from selling tangible personal property to entities exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended or renumbered, if the sale is made to an organization that delivers a nontaxable transaction certificate to the seller; (vii) refunds and allowances made to buyers or amounts written off the books as an uncollectible debt by a person reporting governmental gross receipts tax on an accrual basis; (viii) receipts from selling prosthetic devices if the sale is made to a person who is licensed to practice medicine, osteopathic medicine, dentistry, podiatry, optometry, chiropractic or professional nursing and who delivers a nontaxable transaction certificate to the seller; and (ix) receipts from the sale of prescription drugs.

Collection and Distribution Information. Governmental agencies are treated as taxpayers under the provisions of the Tax Administration Act, Section 7-1-1, et seq., NMSA 1978, and are responsible for paying the governmental gross receipts tax to the New Mexico Taxation and Revenue Department in accordance with the State's Tax Administration Act. Collections are first deposited into a tax administration suspense fund for the purpose of making disbursements for refunds, among other things. On the last day of each month, the balance in the suspense fund is identified by tax source and distributed to the appropriate municipalities or state agencies, including the NMFA. Collection of governmental gross receipts tax is administered by the New Mexico Taxation and Revenue Department. Governmental gross receipts taxes are to be paid on or before the 25th day of the month following the month in which the taxable event occurs.

Set forth below is information from the New Mexico Taxation and Revenue Department concerning collections of the governmental gross receipts tax for the fiscal years 1994-1995 through 1998-1999. There can be no assurance that governmental gross receipts tax collections will continue to grow at historical rates.

GOVERNMENTAL GROSS RECEIPTS TAXES COLLECTIONS
Fiscal Years 1994 - 1995 through 1998 - 1999

	Fiscal Year 1994 - 1995	Fiscal Year 1995 - 1996	Fiscal Year 1996 - 1997	Fiscal Year 1997 - 1998	Fiscal Year 1998 - 1999
Total Net Receipts	$13,530,014	$16,059,454	$16,378,444	$16,859,875	$16,897,029
NMFA Portion of the Governmental Gross Receipts Tax	$10,147,511	$12,044,591	$12,283,833	$12,644,906	$12,672,772

Set out below and on the following page is information concerning the top eight payers of the governmental gross receipts tax for fiscal years 1996-1997 through 1998-1999. Such information is not publicly available from the State and has instead been obtained from each individual entity, and the NMFA does not guaranty the accuracy of any such information.

Eight Largest Payers of
Governmental Gross Receipts Taxes
Fiscal Years 1996-1997 through 1998-1999

	Fiscal Year 1996-1997		Fiscal Year 1997-1998		Fiscal Year 1998-1999	
Entity	Amount Paid	% of Total GGRT of All Entities in NM	Amount Paid	% of Total GGRT of All Entities in NM	Amount Paid	% of Total GGRT of All Entities in NM
City of Albuquerque	$5,708,434	34.85%	$5,843,771	34.55%	$6,934,802	41.04%
City of Santa Fe	1,490,026	9.10%	1,338,922	7.94%	1,522,426	9.01%
University of New Mexico	1,126,513	6.88%	1,245,428	7.39%	1,233,416	7.30%
City of Las Cruces	753,761	4.60%	770,115	4.57%	858,575	5.08%
City of Rio Rancho	636,006	3.88%	617,492	3.66%	634,870	3.76%
City of Farmington	594,821	3.63%	608,518	3.61%	636,834	3.77%
City of Roswell	503,161	3.07%	517,105	3.07%	546,526	3.23%
City of Gallup	247,333	1.51%	249,716	1.48%	N/A	N/A
County of Los Alamos	N/A	N/A	N/A	N/A	378,144	2.24%
Total	$11,060,055	67.52%	$11,191,067	66.27%	$12,745,593	75.43%

Source: Individual entities.

Additional Pledged Loans

The NMFA may make loans from or purchase securities with available funds in the Public Project Revolving Fund. At its option, the NMFA may designate such loans or securities as Additional Pledged Loans (as hereinafter defined) and upon such designation the principal and interest payments on such loans or securities become pledged by the NMFA to the payment of Bonds. See "Flow of Funds," below under this caption. For the total amount of outstanding Additional Pledged Loans, as hereinafter defined, see "THE PLAN OF FINANCING - Governmental Units and the 2000A Project."

Flow of Funds

The Indenture creates a Revenue Fund, a Bond Fund, a Debt Service Fund with separate accounts for each Governmental Unit receiving a Loan, an Agreement Reserve Fund with a separate account, if required, for each Governmental Unit receiving a Loan that has a reserve requirement and, with respect to the County, a Series 2000A Tax Revenue Fund with separate accounts for Correctional Facility Tax revenues and County Gross Receipts Tax revenues.

Flow of Funds Under General Indenture

All Loan Payments and other amounts paid by Governmental Units pursuant to the Loan Agreements are to be paid directly to the Trustee, and, except with respect to County Loan Payments, the Trustee is to deposit all such payments immediately upon receipt thereof, as follows (the description of the flow of funds for the County's 2000A Agreement appears under "Flow of Funds Under Supplemental Indenture."):

First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan.

Second: to the related Account, if any, in the Agreement Reserve Fund to the extent necessary to cause the balance in said Account to equal the Agreement Reserve Requirement, if any, of such Account.

Third: to the payment of Program Costs (to the extent allocable to such Agreement).

On the fifth day preceding a Loan Payment Date (or, if such fifth day is not a Business Day, on the Business Day next preceding such fifth day), if the amount on deposit in any Governmental Unit's Account of the Debt Service Fund is insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, the Trustee is to transfer from the related Agreement Reserve Account, if any, to that Governmental Unit's Account of the Debt Service Fund, an amount sufficient, together with amounts in such Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date.

On each Interest Payment Date for the Bonds, the Trustee is to transfer moneys in the respective Accounts of the Debt Service Fund to the Bond Fund to pay the interest on the related Bonds becoming due on such Interest Payment Date and to pay the principal of each related Bond due at maturity or by prior redemption, to the extent amounts are on deposit therein for such purpose. At least once each year, the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement.

Flow of Funds Under Supplemental Indenture

Pursuant to the Supplemental Indenture, the payments required to be made by the County pursuant to the 2000A Agreement are to paid directly to the Trustee from the New Mexico Taxation and Revenue

Department pursuant to an Intercept Agreement between NMFA and the County, and the Trustee is to deposit all such payments immediately upon receipt thereof, as follows:

(i) moneys identified by the NMFA as being from the receipt of the Correctional Facility Tax shall be deposited into the Series 2000A Correctional Facility Tax Account and moneys identified by the NMFA as being from the receipt of the County Gross Receipts Tax shall be deposited into a Series 2000A County Gross Receipts Tax Account, both in the Series 2000A Tax Revenue Fund;

(ii) moneys on deposit in the Series 2000A Correctional Facility Tax Account shall be applied as follows:

First: to the extent moneys are available for such purpose, to the County's Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the 2000A Agreement;

Second: to the extent moneys are available for such purpose, to the payment of Program Costs;

Third: to the extent moneys are available for such purpose, to the County's Account in the Agreement Reserve Fund until such time as the balance on deposit in said Account equals the Agreement Reserve Requirement of such Account; <u>and</u>

Fourth: to the extent moneys are available for such purpose, to the Series 2000A Correctional Facility Tax Redemption Fund to annually redeem Series 2000A Bonds on or as soon as is reasonably practicable after June 2 from moneys deposited prior to the preceding June 1 in accordance with the Supplemental Indenture. Any excess Correctional Facility Tax revenues not applied to redemption shall be returned to the County's Debt Service Account.

(iii) moneys on deposit in the Series 2000A County Gross Receipts Tax Account shall be applied as follows:

First: to the extent moneys from the Series 2000A Correctional Facility Tax Account deposited into the County's Debt Service Account and the County's Agreement Reserve Account in the Agreement Reserve Fund are insufficient to meet the then required principal and interest payments due or to next become due with respect to the 2000A Agreement, to the County's Debt Service Account the amount necessary to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the 2000A Agreement;

Second: to the extent moneys from the Series 2000A Correctional Facility Tax Account are insufficient to pay the County's share of Program Costs, an amount necessary to pay such Program Costs; and

Third: to the County, the balance of the moneys remaining in the Series 2000A County Gross Receipts Tax Account as soon as reasonably practicable after June 2 of each year.

Revenue Fund

During each Bond Fund Year, all Revenues constituting receipts from the NMFA Portion of the Governmental Gross Receipts Tax and principal and interest payments from Additional Pledged Loans are to be paid when received by the NMFA to the Trustee and shall be accounted for and maintained by the Trustee in the Revenue Fund. On each Interest Payment Date, the Trustee (except as otherwise provided in a Supplemental Indenture) is to transfer from the Revenue Fund (including any amounts in the separate account described in the next paragraph) to the Bond Fund (i) an amount equal to the principal and interest due on such Interest Payment Date on the portion of any Bonds, the proceeds of which were used to make Grants and (ii) if the amounts on deposit in the Bond Fund are insufficient for payments coming due with respect to the Bonds on such Interest Payment Date, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the principal and interest due on the Bonds on such Interest Payment Date.

Except as stated above under "Flow of Funds Under the Supplemental Indenture" with respect to the Series 2000A Bonds, at the conclusion of each Bond Fund Year, the Trustee is to retain in the Revenue Fund, in a separate account to be created therein (to the extent of amounts remaining in the Revenue Fund), the following:

(i) an amount equal to any deficiency in any account in the Agreement Reserve Fund;

(ii) with respect to Agreements for which (A) no Agreement Reserve Account was created in the Agreement Reserve Fund and (B) a default in the payment of principal or interest under such Agreement has occurred and is continuing, an amount equal to the least of (x) 10% of the proceeds of such Agreement, (y) maximum annual debt service on such Agreement and (z) 1.25 times average annual debt service on such Agreement; and

(iii) with respect to Bonds issued to finance Grants and for which no other debt service reserve fund has been created, an amount equal to the least of (A) 5% of the proceeds of the Bonds issued to finance such Grant, (B) one-half of maximum annual debt service on the Bonds issued to finance such Grants and (C) .625 times average annual debt service on the Bonds issued to finance such Grant.

Pursuant to the Indenture, the NMFA is not required to contribute any amounts to fund the retention described in the preceding paragraph other than from amounts on deposit in the Revenue Fund at the end of each Bond Fund Year, and no default under the Indenture occurs solely by reason of any insufficiency of funds remaining in the Revenue Fund to fund such retention.

After making the foregoing deposits, at the conclusion of each Bond Fund Year, and after making the payments required by the Indenture during such Bond Fund Year, the Trustee is to transfer the balance on deposit in the Revenue Fund to the NMFA, and the NMFA may use such balance for:

(i) Public Project Revolving Fund purposes;

(ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund;

(iii) refinancing, refunding, purchasing or advance refunding of any Bonds; or

(iv) any other lawful purpose.

The balance so transferred to NMFA is no longer pledged to the payment of debt service on the Bonds.

Additional Bonds

Generally

Additional Bonds or other indebtedness, bonds or notes of the NMFA payable on a parity with the Bonds out of the Trust Estate may be issued or incurred, only if certain requirements have been met, including the following:

(a) NMFA must deliver to the Trustee a Cash Flow Statement, taking into account the issuance of the Additional Bonds or other indebtedness, bonds or notes. The requirements of the Cash Flow Statement are set forth under "Cash Flow Statement," below.

(b) All payments required by the Indenture to be made into the Bond Fund must have been made in full.

(c) The proceeds of the Additional Bonds or other indebtedness, bonds or notes must be used (i) to refund Bonds issued hereunder or other obligations of the NMFA (including the funding of necessary reserves and the payment of costs of issuance) or (ii) to make additional Loans or Grants or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance).

(d) No Event of Default shall have occurred and be continuing under the Indenture, except that the foregoing provisions of this paragraph (d) shall not preclude the issuance of Additional Bonds or other indebtedness, bonds or notes if (i) the issuance of such Additional Bonds or other indebtedness, bonds or notes otherwise complies with the requirements of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of the Additional Bonds or other indebtedness, bonds or notes and the application of the proceeds thereof.

Any of the foregoing requirements may be revised or deleted with written evidence from the Rating Agency to the effect that such revision or deletion will not result in the rating on the Outstanding Bonds being lowered.

Cash Flow Statement

Pursuant to the Indenture, "Cash Flow Statement" means a certificate of NMFA:

(a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate, the following:

(A) the amount of the NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(B) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(C) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding; and

(b) showing that in each such Bond Fund Year the aggregate of the amount set forth in clause (A) of this definition divided by 1.35, plus the aggregate amount set forth in clause (B) of this definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of this definition. For purposes of the foregoing definition, the following assumptions apply:

(i) The NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period during the 24 months next preceding the delivery of the Cash Flow Statement;

(ii) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(iii) Loans and Additional Pledged Loans will be assumed to remain in their current category designations throughout the period projected in the Cash Flow Statement.

For purposes of the Indenture and the Cash Flow Statement, "Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

Category of Loans and Additional Pledged Loans	**Applicable Percentage**
Category I	100%
Category II	80%
Category III	50%
Category IV	0%

Category I Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the third highest full rating category or higher by the Rating Agency.

Category II Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

Category III Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

Category IV Loans and Additional Pledged Loans are all Non-Performing Loans and Additional Pledged Loans, Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been replenished in accordance with the related Agreement, and Loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agency.

"Non-Performing Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a covenant default) or under which a delinquency exists in payments of principal or interest thereunder.

"Rating Agency" means Moody's Investors Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

Pursuant to the Indenture, at the time of issuance of each series of Bonds, each of the Agreements executed in connection with such issuance is required to be submitted to the Rating Agency for assignment of a designation or rating or shall be designated in Category IV by the NMFA without submission to the Rating Agency. In addition, each Additional Pledged Loan is required to be submitted to the Rating Agency for assignment of a designation or a rating or shall be designated in Category IV by NMFA without submission to the Rating Agency. At any time (including upon issuance of Additional Bonds), the category assigned to an Agreement or to Additional Pledged Loans may be revised by the Rating Agency.

Of the Agreements submitted to the Rating Agency to date, $24,690,361 have been designated Category I, $29,717,098 have been designated Category II and $6,110,003 have been designated Category III.

The formula described above may also be summarized as follows (where A = NMFA Portion of Governmental Gross Receipts Tax, B = Assumed Repayments of Loans and Additional Pledged Loans and C = Aggregate Annual Debt Service on all Bonds Outstanding):

$$(A \div 1.35) + B > C$$

No Senior Lien Obligation

No additional indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of the Revenues for payment of the Bonds shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds.

Additional Parity Obligations of Governmental Units

For a description of the restrictions governing the issuance by the County of additional obligations on a parity with the obligations of the County to make payments under the 2000A Agreement, see

"CERTAIN INFORMATION CONCERNING THE 2000A GOVERNMENTAL UNIT" in Appendix D. For a description of the restrictions, if any, governing the issuance by certain other Governmental Units of additional parity obligations, see "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D to the 1995 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENTAL UNITS" in Appendix D to the 1996 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1997 GOVERNMENTAL UNITS' in Appendix D to the 1997 Official Statement, and "CERTAIN INFORMATION CONCERNING THE 1999 GOVERNMENTAL UNITS" in Appendix D to the 1999 A-D Official Statement, each of which is on file with the MSRB.

Outstanding Parity Bonds

The only Outstanding Parity Bonds of the NMFA are the Series 1995A Bonds, the Series 1996A Bonds, the Taxable Series 1996B Bonds, the Series 1997 Bonds, the Series 1999A Bonds, the Series 1999B Bonds, the Taxable Series 1999C Bonds and the Taxable Series 1999D Bonds, which are currently outstanding in the aggregate principal amount of $66,090,000 (collectively the "Outstanding Parity Bonds"). See "ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE RATIOS" for Debt Service Requirements on the Outstanding Parity Bonds and aggregate payments under Agreements relating to the Bonds. See "THE PLAN OF FINANCING- Governmental Units and the 2000A Project" for a listing of the 1995, 1996, 1997 and 1999 Governmental Units which received proceeds from the Outstanding Parity Bonds.

Supplemental Indentures and Amendments to Loan Agreements; Rating Agency Discretion

Pursuant to the Indenture, the NMFA and the Trustee may, without the consent of or notice to any of the Owners of the Bonds, enter into an indenture or indentures supplemental to the Indenture in order to make certain amendments or changes to the Indenture, including any amendment with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds, following such amendment, being lower than the rating on the Bonds immediately prior to such amendment. See "Appendix B - Extracts of Certain Provisions of the Indenture."

In addition, the NMFA with the consent of the Trustee and the related Governmental Unit may, without the consent of any Owners of the Bonds, amend any Agreement for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred in the Indenture to the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained in any agreement or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgment of the Trustee shall not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

BOND INSURANCE

The following information has been furnished by MBIA Insurance Corporation (the "Insurer" or "Bond Insurer") for use in this Official Statement. Reference is made to Appendix G for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the NMFA to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2000A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2000A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes and avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2000A Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments tobe made on an accelerated basis; (iii) payments of the purchase price of Series 2000A Bonds upon tender by an owner thereof, or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Series 2000A Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Series 2000A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee or any owner of a Series 2000A Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2000A Bonds or presentment of such other proof of ownership of the Series 2000A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2000A Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Series 2000A Bonds in any legal proceeding related to payment of insured amounts on the Series 2000A Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Trustee payment of the insured amounts due on such Series 2000A Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, and changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1998, MBIA had admitted assets of $6.5 billion (audited), total liabilities of $4.2 billion (audited), and total capital and surplus of $2.3 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 1999, MBIA had admitted assets of $6.9 billion (unaudited), total liabilities of $4.5 billion (unaudited), and total capital and surplus of $2.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of the Company is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa".

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the Insurer "AAA".

Fitch IBCA, Inc. (formerly known as Fitch Investors Service, L.P.) rates the financial strength of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2000A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2000A Bonds. The Insurer does not guaranty the market price of the Series 2000A Bonds nor does it guaranty that the ratings on the Series 2000A Bonds will not be revised or withdrawn.

Insurer's Year 2000 Readiness Disclosure

The Company is actively managing a high-priority Year 2000 (Y2K) program addressing the issue of whether its computer systems can correctly distinguish between the years 1900 and 2000. The Company has represented that it has not experienced any significant Y2K related problems in the transition to the Year 2000.

PLEDGE OF THE COUNTY

The County has pledged its Correctional Facility Tax, levied at a rate of one-eighth of one percent, and its first one-eighth of one percent increment of County Gross Receipts Tax, also levied at a rate of one-eighth of one percent, to pay its obligations under the 2000A Agreement, including amounts sufficient to pay debt service on the Series 2000A Bonds and related costs. Both the County Gross Receipts Tax and the Correctional Facility Tax revenues are to be remitted or transferred directly to the Trustee by the New Mexico Taxation and Revenue Department pursuant to the Intercept Agreement (as defined in Appendix D).

The County's Correctional Facility Tax was imposed on January 1, 1999 and pursuant to statute must be repealed on or before January 1, 2009. Distributions of the Correctional Facility Tax will continue through February 2009. The County covenants in the 2000A Agreement that the County will take no action prior to January 1, 2009 to terminate or adversely affect the collection of the Correctional Facility Tax by NMFA or the Trustee unless the Series 2000A Bonds and all of the obligations of the County under the 2000A Agreement are paid in full or provided for. The County Gross Receipts Tax does not have a repeal date. The County covenants in the 2000A Agreement that the County will take no action to terminate or adversely affect the collection of the County Gross Receipts Tax by the NMFA or the Trustee unless the Series 2000A Bonds and all obligations of the County under the 2000A Agreement are paid in full or provided for prior to June 1, 2009. Receipts of the Correctional Facility Tax began in March 1999 and such receipts received by the County prior to February 1, 2000 have been or will be used by the County to pay certain costs of the 2000A Project. The following table presents a summary of the County's collections of its County Gross Receipts Tax from fiscal year 1994 through fiscal year 1999. The figure for fiscal year 1999 is unaudited.

Fiscal Year	County Gross Receipts Tax
1994	$371,980
1995	435,325
1996	474,222
1997	496,865
1998	530,764
1999	584,215

The table below presents a forecast of tax receipts from the Correctional Facility Tax and the County Gross Receipts Tax, and estimated debt service on the Series 2000A Bonds. The forecasts of growth in gross receipts taxes are based on historical growth. There can be no assurance that the growth in Correctional Facility Tax and the County Gross Receipts Tax will continue at the historical rates.

ESTIMATED TAX RECEIPTS
DEBT SERVICE ON THE SERIES 2000A BONDS

Bond Year[1]	Estimated Correctional Facility Tax [2]	Estimated County Gross Receipts Tax [2]	Debt Service Payments on the 2000A Agreement[3]	Correctional Facility Tax Applied to Payments in 2000A Agreement[3]	Correctional Facility Tax Applied to Fund Reserve Account[4][5]	Correctional Facility Tax Available For Mandatory Redemption of the Series 2000A Bonds
2000	$144,000[6]	$144,000[6]	$142,581	$142,581	-	-
2001	607,817	607,817	694,455	607,817	-	-
2002	619,974	619,974	688,530	619,974	-	-
2003	632,373	632,373	690,513	632,373	-	-
2004	645,021	645,021	690,768	645,021	-	-
2005	657,921	657,921	689,245	657,921	-	-
2006	671,079	671,079	685,895	671,079	-	-
2007	684,501	684,501	685,668	684,501	-	-
2008	698,191	698,191	683,240	683,240	$ 14,951	-
2009	474,770[7]	712,155	453,865	453,865	20,905	-

(1) The Bond Year corresponds to 12 months ending May 31 of the year indicated.
(2) The Correctional Facility Tax and County Gross Receipts Tax are assumed to grow at 2% annually. Historical growth of County's Gross Receipts Tax has been higher than 2%.
(3) Includes Program Costs of 0.25% payable to the NMFA.
(4) The amount of Correctional Facility Tax applied to the Debt Service Reserve Fund is to be used to fund the 2000A Agreement Reserve Account up to the County's Agreement Reserve Requirement associated with the Series 2000A Bonds.
(5) Based on the forecast, the Agreement Reserve Account will never be fully funded.
(6) Reflects estimated distributions to the Trustee from February 2000 through May 2000.
(7) The Correctional Facility Tax must expire on or before January 1, 2009. The County will receive its final distribution of Correctional Facility Tax in February 2009 from business activity generated in December 2008. Consequently, the Trustee will receive eight months' worth of Correctional Facility Tax in the final Bond Year.

THE PLAN OF FINANCING

Sources and Uses of Funds

The sources and uses of funds in connection with the Series 2000A Bonds, other than accrued interest to be received in connection with the sale of the Series 2000A Bonds, are set forth below. Accrued interest from January 1, 2000 will be deposited in the Bond Fund.

SOURCES AND USES OF FUNDS
Series 2000A Bonds

<u>**SOURCES:**</u>	
Series 2000A Bond Proceeds	$4,715,000
Net Original Issue Premium (Discount) on Series 2000A Bonds	-0-
TOTAL SOURCES:	$4,715,000
<u>**USES:**</u>	
Deposit to County's Account within Program Fund (1)	$4,470,000
Costs of Issuance (2)	$ 242,600
Rounding (3)	$ 2,400
TOTAL USES:	$4,715,000

(1) The amounts deposited to the Program Fund will be used to pay the costs of the 2000A Project and to repay principal amounts advanced to the County under the Interim Loan. See "The 2000A Governmental Unit and the 2000A Project" under this caption and "EXTRACT OF CERTAIN PROVISIONS OF THE INDENTURE-Funds and Accounts" in Appendix B hereto.

(2) Includes legal and accounting fees, printing, rating fees, bond insurance premium, Underwriters' discount and other miscellaneous costs. See "UNDERWRITING."

(3) Rounding amount will be deposited in the Bond Fund.

Pursuant to the New Mexico Finance Authority Act, the NMFA and the County entered into an interim loan agreement (the "Interim Loan") for the 2000A Project in the aggregate principal amount of $1,000,000. Principal amounts advanced to the County, if any, under the Interim Loan will be repaid from Series 2000A Bond proceeds deposited into the County's Account within the Program Fund. Interest due on the Interim Loan will be repaid by the County from the Correctional Facility Tax revenues, County Gross Receipts Tax revenues or other legally available funds of the County.

Governmental Units and the 2000A Project

2000A Governmental Unit

For information concerning Valencia County, the Agreement Pledged Revenues for the 2000A Agreement and for additional information concerning the 2000A Project, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "PLEDGE OF THE COUNTY" herein and "CERTAIN INFORMATION CONCERNING THE COUNTY" in Appendix D hereto.

Generally

The following table lists all Governmental Units that have entered into Agreements with the NMFA for Projects that have been financed with Bonds. The NMFA has $66,090,000 of Parity Bonds outstanding and, upon issuance, will have $4,715,000 of Series 2000A Bonds outstanding.

Currently Outstanding Obligations
Which Are Included In The Trust Estate

Borrower	Amount of Outstanding Obligations	Estimated Percentage of Annual Revenues (2)	Bond Issue(s) (3)	Final Maturity
NM Energy, Minerals and Natural Resources	$15,986,198	7.24%	1995A, 1996A, 1997, 1999A, 1999B &	2018
NW Solid Waste	8,814,335	4.57%	1995A, 1999A	2018
City of Clovis	5,272,970	2.61%	1999A	2013
City of Las Vegas	4,874,556	2.48%	1995A	2015
Valencia County(1)	4,715,000	0.73%	2000A	2009
Interstate Stream	1,846,677	1.38%	1999D	2008
Lee Acres/W. Hammond	3,214,713	1.36%	1999D	2018
City of Raton	1,970,563	0.98%	1999A, 1999B	2018
Lower Valley Water	1,318,560	0.94%	1999C	2008
Dona Aña County	2,142,486	0.90%	1999B	2018
Sierra County	1,966,822	0.88%	1997	2017
City of Española	1,576,249	0.72%	1997	2017
Central Solid Waste	1,713,864	0.71%	1996A	2021
McKinley County	413,740	0.30%	1997	2008
North Star Water Assoc.	290,315	0.12%	1999C	2018
Village of Logan	207,331	0.11%	1999C	2014
Other Borrowers	9,537,182	8.10%	APL	Varies

(1) Represents Valencia County's 2000A Agreement.

(2) Includes Obligations of Valencia County under its 2000A Agreement payable to the NMFA, including Additional Pledged Loans where indicated.

(3) APL means the obligation includes Additional Pledged Loans.

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service (excluding any mandatory prior redemptions) payable for the Series 2000A Bonds for each fiscal year through their final maturity date.

Debt Service for the Series 2000A Bonds

Fiscal Year	Principal(1)	Interest(2)	Annual Debt Service Requirements
2000	$ 40,000	$ 97,669.79	$137,669.79
2001	450,000	232,767.50	682,767.50
2002	465,000	212,967.50	677,967.50
2003	490,000	191,112.50	681,112.50
2004	515,000	167,592.50	682,592.50
2005	540,000	142,357.50	682,357.50
2006	565,000	115,357.50	680,357.50
2007	595,000	86,542.50	681,542.50
2008	625,000	55,602.50	680,602.50
2009	430,000	22,790.00	452,790.00

(1) Payable on June 1 of each year. Does not include mandatory redemption.
(2) Payable on June 1 and December 1, commencing June 1, 2000.

The following table shows estimated available Revenues, total debt service requirements for the Series 2000A Bonds and the Outstanding Parity Bonds and the resulting estimated annual coverage ratios. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

Annual Debt Service Requirements and Coverage Ratios

Fiscal Year	Fiscal Year 1998-1999 Collections of NMFA Portion of Gov't Gross Receipts Tax(1)	Aggregate Payments Under Agreements(2)(4)	Estimated Payments Under Additional Pledged Loans(3)	Estimated Total Revenues	Total Debt Service Requirements for the 2000A Bonds	Total Debt Service Requirements For the Outstanding Parity Bonds	Total Debt Service Requirements for the 2000A and the Outstanding Parity Bonds	Estimated Annual Coverage Ratios
2000	$12,672,772	$4,830,566	$1,697,019	$19,200,357	$137,670	$7,012,393	$7,150,063	2.69
2001	12,672,772	5,369,479	2,433,528	20,475,779	682,768	7,007,329	7,690,097	2.66
2002	12,672,772	5,379,668	2,551,905	20,604,345	677,968	6,157,955	6,835,923	3.01
2003	12,672,772	5,383,744	2,330,759	20,387,275	681,113	6,158,375	6,839,488	2.98
2004	12,672,772	5,377,079	2,283,070	20,332,921	682,593	6,149,959	6,832,551	2.98
2005	12,672,772	5,393,528	1,926,115	19,992,415	682,358	6,163,561	6,845,919	2.92
2006	12,672,772	5,382,596	1,440,950	19,496,318	680,358	6,148,686	6,829,044	2.85
2007	12,672,772	5,393,330	1,335,392	19,401,494	681,543	6,162,529	6,844,071	2.83
2008	12,672,772	5,392,594	1,294,348	19,359,714	680,603	6,169,109	6,849,711	2.83
2009	12,672,772	4,520,118	1,259,618	18,452,509	452,790	5,522,084	5,974,874	3.09
2010	12,672,772	4,062,936	1,143,817	17,879,524	-	5,517,179	5,517,179	3.24
2011	12,672,772	4,068,057	915,418	17,656,246	-	5,520,251	5,520,251	3.20
2012	12,672,772	4,059,669	907,555	17,639,996	-	5,507,903	5,507,903	3.20
2013	12,672,772	4,074,781	914,403	17,661,955	-	5,515,665	5,515,665	3.20
2014	12,672,772	3,452,822	904,426	17,030,019	-	4,907,310	4,907,310	3.47
2015	12,672,772	3,430,215	900,021	17,003,008	-	4,888,603	4,888,603	3.48
2016	12,672,772	2,071,735	796,314	15,540,821	-	3,092,955	3,092,955	5.02
2017	12,672,772	1,776,140	691,112	15,140,023	-	1,755,123	1,755,123	8.63
2018	12,672,772	1,139,114	402,649	14,214,535	-	1,110,678	1,110,678	12.80
2019	12,672,772	123,975	401,755	13,198,502	-	123,975	123,975	106.46
2020	12,672,772	122,938	42,866	12,838,575	-	122,938	122,938	104.43
2021	12,672,772	121,613	41,482	12,835,866	-	121,613	121,613	105.55

(1) See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Revenues-The Governmental Gross Receipts Tax." Future collections of the NMFA Portion of the Governmental Gross Receipts Tax are based on fiscal year 1998-99 collections.

(2) See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues - The Agreements and the Agreement Pledged Revenues." Includes 2000A Agreement and Agreements entered into in connection with the Outstanding Parity Bonds.

(3) See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Revenues-Additional Pledged Loans." Includes outstanding Additional Pledged Loans.

(4) The City of Santa Fe advance refunded its Loan and will prepay its obligations in full on the optional redemption date in Fiscal Year 2005. The calculations in this column do not include Prepayment of Loan by City of Santa Fe in Fiscal Year 2005.

NEW MEXICO FINANCE AUTHORITY

Generally

The NMFA is a public body politic and corporate and governmental instrumentality of the State. It was created in 1992 pursuant to the Act for the purpose of coordinating the planning and financing of State and local public projects, to provide for long-term planning and assessment of State and local capital needs and to improve cooperation among the executive and legislative branches of State government and local governments in financing public projects. Pursuant to the Act, the NMFA and its corporate existence shall continue until terminated by law, provided that no such law shall take effect so long as the NMFA has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The NMFA is governed by a Board of Directors and currently employs eleven persons.

Powers

Pursuant to the Act, the NMFA is granted all powers necessary and appropriate to carry out and effectuate its public and corporate purposes, including but not limited to the following powers: to sue or be sued; to adopt, subject to the review and approval of the NMFA oversight committee, such regulations as are necessary and appropriate to implement the provisions of the Act; to make, enter into and enforce all contracts, agreements and other instruments necessary, convenient or desirable in the exercise of its powers and functions and for the purposes of the Act; to acquire, construct, hold, improve, mortgage, sell, lease, convey or dispose of real and personal property for its public purposes; to make loans and purchase securities and contract to make loans and purchase securities; to make grants to qualified entities to finance public projects; to procure insurance to secure payment on any loan, lease or purchase payments owed to the NMFA by a qualified entity in such amounts and from such insurers, including the federal government, as it may deem necessary or desirable, and to pay any premiums for such insurance; to fix, revise from time to time, charge and collect fees and other charges in connection with the making of loans and any other services rendered by the NMFA; and to borrow money and to issue bonds.

Organization and Governance

The Board of Directors of the NMFA is composed of 12 members, seven of which are ex-officio members designated in the Act and five of which are appointed by the Governor with the advice and consent of the State senate. The seven designated members include five ex-officio State officials, of which four are cabinet-level secretaries (the secretary of finance and administration, the secretary of economic development, the secretary of energy, minerals and natural resources, and the secretary of environment), and one is a State agency official (the State investment officer), and two are the chief executives of state-wide associations (the executive director of the State municipal league and the executive director of the State association of counties). One of the five members appointed by the Governor must be the chief financial officer of a State higher educational institution and the remaining four members appointed by the Governor are members of the public. Each of the appointed members of the NMFA serve staggered four-year terms, so that the term of at least one member expires on January 1 of each year. Vacancies are filled by appointment by the successor for the remainder of the unexpired term. Any member is eligible for reappointment.

The Act also provides for the creation of a legislative oversight committee, whose membership is determined by the State Legislative Council. The oversight committee is required to monitor and oversee the operation of the NMFA, and in that connection it: meets on a regular basis to receive and review reports from the NMFA on implementation of the provisions of the Act and to review and approve regulations proposed for adoption; monitors and provides assistance and advice on the public project financing program of the NMFA; oversees and monitors State and local government capital planning and financing; provides advice and assistance to the NMFA and cooperates with the executive branch of State government and local governments on planning, setting priorities for and financing of State and local capital projects; undertakes an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing State and local government capital financing in the State; and reports its findings and recommendations, including recommended legislation or necessary changes, to the Governor and to each session of the legislature. The report and proposed legislation is required to be made available on or before December 15 each year.

Governing Board and Staff Members

Current members of the Board of Directors of the NMFA, and their respective occupations, are set out below:

New Mexico Finance Authority
Board of Directors

Name	Occupation	Term Expires
Phil Archibeck(1)	State Investment Officer, State Investment Council	not applicable
Danny K. Earp(2)	Chief Financial Officer, Eastern New Mexico University	January 1, 2003
William Fulginiti(1) (Secretary)	Director, New Mexico Municipal League	not applicable
John García(1)	Secretary, Economic Development Department, State of New Mexico	not applicable
Robert Goodman(2) (Chairman)	Chief Executive Officer, Capital Bank	January 1, 2001

Name	Occupation	Term Expires
David Harris(1)	Secretary, Department of Finance and Administration, State of New Mexico	not applicable
Peter Maggiore(1)	Secretary, Environment Department, State of New Mexico	not applicable
Jon M. Brown(2)(3)	Vice-President, First Bank	January 1, 2004
Kelly Orrick(1)	Director, New Mexico Association of Counties	not applicable
Jennifer Salisbury(1)	Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
H. Dan Shannon	Executive Vice-President, Rio Rancho Branch, Wells Fargo Bank of New Mexico, N.A.	January 1, 2002
Mary L. Thompson(2)(3)	Realtor	January 1, 2004

(1) Ex-Officio Member.
(2) Appointed by the Governor of the State to four-year term.
(3) Appointment needs to be confirmed by the Senate of the State of New Mexico.

Set out below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 2000A Bonds and the administration of the public project revolving fund program.

Tom K. Pollard, Ph.D., Executive Director. Dr. Pollard has directed the operations of the NMFA since its inception. He previously served for five years as Executive Director of the Texas Bond Review Board from its inception in 1987. The Board, chaired by the Governor of Texas, is responsible for the approval of all state bond issuance. Dr. Pollard directed all research, technical and administrative functions of the Board and analyzed the legal and financial soundness of each bond transaction reviewed by the Bond Review Board. He also administered the allocation of the State's $850 million federal private activity bond authorization among Texas bond issuing entities and reported to the bond rating agencies on the fiscal condition of state government and Texas' state-backed loan programs. Before coming to the Board. Dr. Pollard served the Texas State Comptroller as the government's primary forecaster of state economic conditions and state government revenue from all sources. Dr. Pollard received a Ph.D. in economics from the University of Texas in 1980.

Keith H. Mellor, Controller. Mr. Mellor joined the NMFA in November 1995. Before coming to the NMFA Mr. Mellor was controller for the Los Alamos Credit Union. He brings with him an extensive background in controllership, investment portfolio management, governmental auditing and accounting. His responsibilities include design, implementation, and maintenance of financial controls, reporting systems and investment strategies. Prior to serving at the Credit Union, Mr. Mellor was CFO/Controller for CNS, Inc., a systems engineering and integration firm. Mr. Mellor holds B.S. in accounting from Metro State College, Denver, Colorado. He holds a Certified Public Accountant's license in the State of Colorado.

Jon K. Zaman, Director of Program Outreach. Mr. Zaman joined the NMFA in November 1997. Prior to working at the NMFA, Mr. Zaman worked as a legislative drafter with the New Mexico Legislative Council Service and as an analyst for the New Mexico House of Representatives. Mr. Zaman has experience working both with state legislators and local government officials. Prior to moving to New Mexico, Mr. Zaman worked as a research and budget analyst for the Denver City Council and Denver Finance Department. Mr. Zaman holds a B.S. in Engineering from the New Mexico Institute of Mining and Technology.

Kathy Sylvia, Director of Financial Analysis. Ms. Sylvia joined the NMFA in February 1997. Prior to working at the NMFA, Ms. Sylvia was the Telecommunications Policy analyst at the New Mexico Municipal League. She brings with her an extensive knowledge of local governmental auditing, accounting and financial management. Prior to serving at the New Mexico Municipal League, Ms. Sylvia was Chief Financial Officer of the City of Alamogordo, New Mexico. Ms. Sylvia holds a B.S. in Management and Finance from Chaminade University and a Masters in Public Administration from New Mexico State University.

The Public Project Revolving Fund Program

The Public Project Revolving Fund Program of the NMFA is authorized by the Act and was created to fulfill the duty of the NMFA to develop and administer a program to assist qualified entities, individually or jointly, in financing all types of projects of a long-term capital nature, including but not limited to buildings, water systems, sewerage and waste disposal systems, solid waste disposal systems, streets, airports, municipal utilities and parking facilities. To implement the Public Project Revolving Fund Program, the NMFA has been granted the following specific powers: to make loans to qualified entities that establish one or more dedicated sources of revenue to repay the loan from the NMFA; to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the NMFA or pertaining to (i) a loan to a qualified entity, (ii) a grant to a qualified entity, (iii) a purchase or sale of securities individually or on a pooled basis, or (iv) the performance of its duties and execution of any of its powers under the Act; to purchase, hold or sell securities; to charge for its costs and services in review or consideration of a proposed loan to a qualified entity or purchase by the NMFA of securities; in connection with the purchase of any securities, to consider the ability of the qualified entity to secure financing from other sources and the costs of that financing and the particular public project or purpose to be financed or refinanced with the proceeds of the securities to be purchased by the NMFA; and to acquire and hold title to or leasehold interest in real and personal property and to sell, convey or lease that property for the purpose of satisfying a default or enforcing the provisions of a loan agreement.

In order to expand future availability of financing for projects under the Public Project Revolving Fund Program, it is NMFA's intent to make revolving loans at market or below market interest rates and to relend loan repayments on such loans. When possible, assistance will be provided in particular to those projects that have associated user fees or other revenues that can be used to pay debt service. However in order to ensure that financing is available to the largest number possible, the NMFA may provide different levels of assistance, depending on the credit worthiness of the project and the borrower:

- For entities which have the financial capacity to issue bonds but find it difficult to enter the credit market on their own, the NMFA may assemble pooled bond issues which will provide a lower cost of capital for the localities than would be available if entering the credit market on their own.

- For entities, determined by the NMFA to meet disadvantaged status based on median household incomes of less than 75% or 90% of the state median household income, direct cash loans at 0 and 3 percent interest rates, respectively. No single entity may receive more than $200,000 in loans under the disadvantaged program in a fiscal year. Projects funded under the disadvantaged program are those determined by the Board to be important to the overall capital needs of the State and to enhance the health and safety of the citizens of the Governmental Unit.

- For those entities which can afford to pay for only a portion of their project, the NMFA may provide a combination of grant and loan financing. The grant portion may come from a legislative appropriation or from NMFA funds. The loan may be a direct loan from cash on hand or from funds raised through the issuance of bonds.

- For the most needy applicants, the NMFA may provide grants on a limited basis.

The NMFA may now make a limited number of loans from the Public Project Revolving Fund to qualified entities for emergency public projects. These projects can receive permanent financing without legislative authorization, which is required of all other loans from the Public Project Revolving Fund. The dollar value of all such loans is limited to $3,000,000 per fiscal year, and individual loans for emergency projects may not exceed $500,000. An emergency project requires that the NMFA determine that the project is required by an unforeseen occurrence or circumstance threatening public health, safety or welfare; requires the immediate expenditure of money; and is not within the available financial resources of the borrower.

Other NMFA Programs and Projects

Generally

The NMFA participates in several other programs designed to provide financing for equipment and projects to both municipal and state agencies. These projects are funded by various sources.

Equipment Finance Program

The NMFA established its Equipment Finance Program to assist local governments within the State in the financing and purchase of capital equipment, such as fire equipment, police cars and road maintenance vehicles, with a useful life of three years or more. Under this program the local government enters into a loan or other financing agreement with the NMFA. The NMFA provides cash (either from cash on hand in the Public Project Revolving Fund or from the proceeds of bonds or similar instruments) for the capital equipment purchase and the loan is repaid by the local government. Payments by local governments may be made from several sources, including enterprise funds or special tax or revenue funds, such as gross receipts tax revenues, gasoline tax revenues, law enforcement fund distributions and fire protection fund distributions. This program has been merged into the Public Project Revolving Loan Program. Any future equipment loans will be funded through the Public Project Revolving Fund.

Workers' Compensation Administration Building Revenue Bonds

In 1993, the New Mexico Legislature authorized the NMFA to sell $3.5 million in revenue bonds for the planning, designing, constructing, equipping and furnishing of a state office for the Workers' Compensation Administration ("WCA"). In 1994 the New Mexico Legislature authorized the NMFA to sell an additional $2.5 million in revenue bonds for the acquisition of land and site improvements for the WCA's proposed new office building. The Legislature also provided that the first forty cents ($.40) of each quarterly four dollar ($4.00) of Workers' Compensation assessment paid to the State would be pledged to the NMFA for payment of the revenue bonds associated with the WCA project. The NMFA and the General Services Department ("GSD") entered into a Joint Powers Agreement in May 1994 providing that, upon notification by the GSD that the project is sufficiently developed to warrant the issuance of bonds and the provision of a detailed written estimate of the cost of the project, the NMFA shall issue bonds and make available to the GSD, at least ten days prior to the closing date of the land purchase, proceeds necessary for purchase of the land and site improvements. The remaining disbursements will be made on a construction schedule agreed to by NMFA and GSD. In July 1995 the NMFA publicly sold $2,050,000 of its revenue obligations to provide funds for the acquisition of land and the construction and equipping of an office building in Albuquerque. In July 1996, the NMFA sold $4,310,000 in long-term bonds to retire the outstanding bonds and to finance construction of the Workers' Compensation Administration Building.

UNM Cancer Research Center

In 1993, the New Mexico Legislature authorized the NMFA to issue revenue bonds payable from a portion of the net cigarette tax receipts collected by the State and distributed to the NMFA. The NMFA issued such revenue bonds in an aggregate principal amount of $6,000,000 in July 1996. The proceeds of the bonds were used to design, construct, equip and furnish an addition to the University of New Mexico Cancer Center.

Primary Care Capital Fund

In 1994, a $5 million revolving fund was created in the State treasury from which to provide loans and other financial assistance to rural primary care health clinics. The legislation establishing the fund directed NMFA to administer the revolving fund, and to assume responsibility for all financial duties related to the program. The New Mexico Health Department and the NMFA have negotiated a joint powers agreement whereby the Health Department will provide all required health-related services and the NMFA will administer the revolving fund. In September 1994, later amended in April 1998, the NMFA and the Health Department adopted program operation rules to govern the financing of the repair, renovation or construction of primary care clinics in underserved areas of the State. The NMFA has funded ten loans totaling approximately $2.77 million.

Administrative Office of the Courts Financing

The 1996 Legislature authorized NMFA to issue revenue bonds in an amount not to exceed $8.5 million for the purpose of financing acquisition of court automation systems for the State court system, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. Bonds in the principal amount of $8.5 million were issued on June 25, 1996. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the State, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the Motor Vehicle Code involving the operation of a motor vehicle (including uncontested violations, misdemeanors, and violations enforced by imprisonment). The 1999 Legislature authorized NMFA to issue additional revenue bonds in an amount not to exceed $3,500,000 for the development of statewide appellate automation, electronic filing, jury management systems, and replace more than 1,000 computers in district and magistrate court office around the state. The NMFA issued $3,500,000 in Court Automation Fee Revenue Bonds in November of 1999.

Insurance Department Financing

The 1996 Legislature authorized the NMFA to issue revenue bonds in an amount not to exceed $1.0 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance (the "Insurance Department Project"). The Legislature imposed a three dollar ($3.00) surcharge on the annual continuation of appointment fees on the approximately 60,000 insurance agents subject to the fees to provide security for the bonds. On April 18, 1996, the New Mexico Insurance Department requested NMFA to issue $525,000 of the authorized bonds for acquiring information and communication equipment. The Series 1996 Insurance Bonds were privately placed in a transaction that closed on May 23, 1996 and the proceeds were made available to the New Mexico Insurance Department.

On August 12, 1998, the New Mexico Insurance Department requested that the NMFA issue an additional $200,000 of the authorized bonds for the Insurance Department Project. The NMFA and the

Insurance Department entered into an Interim Loan Agreement dated as of October 1, 1998 pursuant to which the NMFA advanced to the Insurance Department $200,000 for the Insurance Department Project. On December 1, 1998, the NMFA issued $400,000 in the aggregate principal amount of its New Mexico Finance Authority Insurance Department Surcharge Refunding and Improvement Revenue Bonds, Series 1998 to reimburse the NMFA for amounts advanced under the Interim Loan Agreement and to refund, refinance and prepay in full the outstanding Series 1996 Insurance Bonds.

Tax and Revenue Information Management Information System ("TRIMS" Project)

In 1997 the New Mexico Legislature authorized the NMFA to sell up to $33,709,800 of bonds for the purpose of financing the New Mexico Taxation and Revenue Department (the "NMTRD") information management systems project (the "TRIMS Project"). The TRIMS project is an integration and updating of on-line, multi-user systems that process taxation, motor vehicle tax and fee collections, revenue distributions and information processing by the NMTRD, which is responsible for collecting revenues for the State, its local governments, and others.

The NMFA sold $17,440,600 of Series 1997A Administrative Fee Revenue Bonds in September 1997. The Bonds are secured by certain administrative fees imposed by the NMTRD on local governments for the services associated with collection of local options gross receipts tax revenues, as well as NMTRD administrative fees imposed in connection with other taxes, fees, and charges. The NMFA entered into an interim loan agreement with the NMTRD in advance of long-term financing of the second issue of TRIMS Project bonds. The NMFA issued the balance of the amount of bonds authorized for the TRIMS Project with the sale of $16.27 million of Series 1999A Administrative Fee Revenue Bonds in September 1999.

New Mexico State Highway and Transportation Department – Corridor 44 Project

On October 2, 1998, the NMFA issued its $100,230,000 Federal Highway Grant Anticipation Revenue Bonds, Series 1998A for the purpose of financing the costs of acquiring, constructing, expanding and improving approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes (the "Corridor 44 Project") by the New Mexico State Highway and Transportation Department ("NMSHTD"). The bonds are payable from the NMFA's rights to payments under a Loan Agreement between the NMFA and NMSHTD. The obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a pledge of certain revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented.

It is expected that a second series of bonds will be issued in the spring of 2000 and that a third series will be issued in the fall of 2001 to complete the Corridor 44 Project.

Drinking Water Program

The New Mexico Drinking Water State Revolving Loan Fund Act was signed into law on April 9, 1997. The Act creates, in the NMFA, the New Mexico Drinking Water State Revolving Loan Fund ("DWRLF") which is to be administered by the NMFA. The NMFA is charged with establishing, in cooperation with the State of New Mexico Environment Department, a loan program to provide local authorities with low-cost financial assistance in the construction of necessary drinking water facilities. The passage of the Act was in response to the re-authorization by Congress and the President of the federal Safe Drinking Water Act ("SDWA"), which required the Environmental Protection Agency ("EPA") to make capitalization grants to the states to further the health objectives of the SDWA. Under the re-authorization, these grants will be made to the states over the next seven years.

The NMFA was awarded New Mexico's capitalization grant by the EPA in late Fiscal Year 1998. The amount of the capitalization grant is $12,759,800. State matching funds were appropriated in 1997. The NMFA can utilize funds in the DWRLF to make loans to localities for drinking water facility construction, renovation or expansion. For projects with proper legislative approval, these loans can be combined with loans from the Public Project Revolving Fund to leverage the funds in the DWRLF to create a greater dollar volume of loans. The NMFA anticipates funding 11 loans totaling approximately $5 million in FY 2000.

Bernalillo Metropolitan Court

The 1998 Special Legislative Session authorized the NMFA to issue up to $46.5 million in revenue bonds for the purpose of financing the acquisition of real property and the design, construction and equipping of a new court building for the Bernalillo Metropolitan Court in Albuquerque, New Mexico. The NMFA has entered into an interim loan agreement with Bernalillo Metropolitan Court in advance of long-term financing of the first issuance of Metropolitan Court Project bonds. The NMFA expects to issue approximately $10 million in bonds authorized for the Metropolitan Court Project in multiple series once a site for the Metropolitan Court Project is selected.

LITIGATION

According to the NMFA, there is no controversy or litigation known to be pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2000A Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any payments which will provide Revenues for the payment of the debt service on the Series 2000A Bonds or in any way contesting or affecting the validity or enforceability of the Series 2000A Bonds, the Indenture, or any proceeding and authority of the NMFA taken with respect to the foregoing. The NMFA will deliver a no-litigation certificate as to the foregoing prior to the issuance of the Series 2000A Bonds.

UNDERWRITING

George K. Baum & Company, Dain Rauscher Incorporated and U.S. Bancorp Piper Jaffray Inc. (collectively, the "Underwriters") have agreed to purchase the Series 2000A Bonds from the NMFA pursuant to a Bond Purchase Agreement dated January 13, 2000 (the "Bond Purchase Agreement"), at an aggregate price of $4,667,900 (being the aggregate principal amount less an Underwriters' discount of $47,100), plus accrued interest on the Series 2000A Bonds from their dated date to the date of delivery of and payment for the Series 2000A Bonds. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2000A Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 2000A Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 2000A Bonds. The NMFA and the County have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2000A Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, has assumed continuing compliance by the NMFA and the County with such requirements and restrictions in rendering its opinion regarding the tax exempt status of interest on the Series 2000A Bonds.

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2000A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

Although said Co-Bond Counsel will render an opinion that interest on the Series 2000A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2000A Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. Said Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2000A Bonds.

State of New Mexico Income Tax

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, under laws of the State of New Mexico as currently enacted and construed, interest on the Series 2000A Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2000A Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel, and Ballard Spahr Andrews & Ingersoll, LLP, as Co-Bond Counsel, will deliver the respective opinions included in Appendix E hereto. Certain legal matters relating to the Series 2000A Bonds will be passed upon for the Underwriter by its counsel, Sutin, Thayer & Browne A Professional Corporation. Neither Sutin, Thayer & Browne A Professional Corporation nor either Co-Bond Counsel has participated in any independent verification of the information concerning the financial condition or capabilities of the NMFA or the County contained in this Official Statement.

Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico.

EXPERTS

The NMFA has retained Clancy, Gardiner & Pierce, LLC, as financial advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2000A Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Clancy, Gardiner & Pierce, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

FINANCIAL STATEMENTS

The combined financial statements of the NMFA for the year ended June 30, 1999, included as Appendix A of this Official Statement have been audited by Neff & Ricci, LLP, certified public accountants, Albuquerque, New Mexico, as set forth in their report thereon dated October 1, 1999. Such financial statements represent the most current audited financial information available for the NMFA.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rules 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission in connection with the issuance of the Series 2000A Bonds, the NMFA will agree to provide the following information:

(i) to each nationally recognized municipal securities information repository ("NRMSIR"):

(1) annual financial information and operating data as follows:

(a) with respect to NMFA, information concerning the NMFA Portion of the Governmental Gross Receipts Tax Revenues, such information to be of the type set forth under the table captioned "Governmental Gross Receipts Taxes Collections Fiscal Years 1994-1995 through 1998-1999" under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues - The Governmental Gross Receipts Tax" in the Official Statement; and

(b) with respect to any Governmental Unit whose Loan repayment obligations constitute more than 5% of the estimated annual Revenues in any year when the Series 2000A Bonds are outstanding (the "5% test") information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Pledged Revenues.

and

(2) audited financial statements for NMFA and any Governmental Unit meeting the 5% test.

Such information will be provided within 270 days of the end of each fiscal year and will be made available, in addition to each NRMSIR, to the Trustee and to each holder of the Series 2000A Bonds who requests such information. In the event that audited financial statements are not available within such time period, unaudited financial statements will be provided;

(ii) in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") and to a State information depository, if any, notice of the occurrence of any of the following events (if applicable) with respect to the Series 2000A Bonds or the Agreements, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Series 2000A Bonds;

(7) modification of rights of security holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Series 2000A Bonds; and

(11) rating changes.

The NMFA may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the NMFA, such other event is material with respect to the Series 2000A Bonds or the Agreements. However, the NMFA does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above; and

(iii) in a timely manner to the MSRB notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The NMFA reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the NMFA; provided that, the NMFA has agreed that any such modification will be done in a manner consistent with the Rule. The NMFA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Owners of the Series 2000A Bonds and shall be enforceable by the Owners; provided that, the right to enforce the provisions of this undertaking are limited to a right to obtain specific enforcement of the NMFA's obligations, and any failure by the NMFA to comply with the provisions of the undertaking shall not be an event of default with respect to the Series 2000A Bonds.

Continuing disclosure undertakings previously entered into by NMFA called for it to file an annual report and audit with respect to the Fiscal Year ended June 30, 1997 no later than 270 days after the end of such fiscal year. In November of 1998, the NMFA discovered that such report and audit had not yet been filed. On November 25, 1998, NMFA notified the MSRB of its failure to file the report and audit and by December 15, 1998, such report and audit had been filed with the NRMSIRs. NMFA believes that it is now in compliance with its continuing disclosure undertakings.

Financial information and operating data for the State Parks Division of the Energy, Minerals and Natural Resources Department of the State, the only Governmental Unit which is expected to provide more than 5% of estimated annual Revenues in any year when Bonds will be Outstanding, is set forth in Appendix E hereto. Financial information and operating data are not set forth for the County.

YEAR 2000 ISSUES

Many computer programs utilized throughout the world use a two-digit field rather than a four digit field to identify the year. The year 2000 as a calendar year poses a problem ("Year 2000 issues") concerning the capability of computer systems to process date data accurately (including, but not limited to, calculating, comparing, and sequencing) from, into, and between the twentieth and twenty-first centuries. Computer programs that have date-sensitive software may cause system failure and miscalculations if, for example, date entry of "00" is recognized as year 1900 rather than 2000. The computer coding practice of using only a two digit field has the potential to affect computer systems, software, and hardware, application software, and specialized computer items which use embedded information technology. If not corrected, Year 2000 issues not only could affect internal financial and operational systems, but also leaves entities vulnerable to failures in the systems of those government agencies and companies on which they depend.

The NMFA has not experienced any significant Y2K problems in the transition from 1999 to 2000. The ultimate impact of Y2K issues may not be known for some time. The NMFA will continue to monitor and address Y2K-related problems as they arise. In addition, the State of New Mexico, DTC and the Trustee have represented that they have not experienced any significant Y2K problems in the transition from 1999 to 2000.

RATINGS

Moody's Investor's Service ("Moody's"), Standard & Poor's Rating Services, a Division of the McGraw-Hill Companies, Inc. ("S&P") and Fitch IBCA, Inc. ("Fitch") have assigned ratings of "Aaa," "AAA" and "AAA," respectively, to the Series 2000A Bonds with the understanding that upon delivery of the Series 2000A Bonds, a policy insuring the payment when due of the Series 2000A Bonds will be issued by MBIA Insurance Corporation. Such ratings reflect only the views of such organizations. An explanation of the significance of such ratings may be obtained from Moody's at 99 Church Street, New York, New York 10007, S&P at 25 Broadway, New York, New York 10004, and Fitch Investors Service, Inc., One State Street Plaza, New York, New York 10004. The ratings are not a recommendation to buy, sell or hold the Series 2000A Bonds and there is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings given to the Series 2000A Bonds may have an adverse effect on the market price of the Series 2000A Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2000A Bonds any proposed revision or withdrawal of the ratings on the Series 2000A Bonds, or to oppose any such proposed revision or withdrawal.

ADDITIONAL INFORMATION

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 1751 Old Pecos Trail, Suite L, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 2000A Bonds.

APPROVAL BY THE NMFA

This Official Statement and its distribution and use by the Underwriters have been duly authorized and approved by the NMFA, and this Official Statement has been executed and delivered on behalf of the NMFA by the Chairman of its Board of Directors and its Executive Director.

NEW MEXICO FINANCE AUTHORITY

By /s/ Robert Goodman
Robert Goodman
Chairman of the Board of Directors

By /s/ Tom K. Pollard
Tom K. Pollard
Executive Director

W0074064 WPD

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE NMFA FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NEFF & RICCI
LLP

Independent Auditors' Report

Mr. Robert Goodman, Chairman
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM,
New Mexico State Auditor

We have audited the accompanying general purpose financial statements and the combining and individual fund and account group financial statements of the New Mexico Finance Authority (Authority), as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements and supplemental schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and its nonexpendable trust funds, for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements of the Authority referred to above present fairly in all material respects, the financial position of each of the individual funds and the account groups of the Authority as of June 30, 1999, and the results of its operations for such funds and the cash flows of its proprietary fund type and its nonexpendable trust funds and the cash flows of its proprietary fund type and its nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS
7001 Prospect Place NE • Albuquerque, NM 87110
(505) 883-6612 • Fax (505) 830-6282 • e-mail: neff@nm.net

Mr. Robert Goodman, Chairman
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM,
New Mexico State Auditor

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 1999, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Summary of the Year 2000 issue is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Authority is or will become year 2000 compliant, that the Authority's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Authority does business are or will become year 2000 compliant.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining and individual fund and account group financial statements. The accompanying other supplementary financial information listed as supplemental schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Authority. Additionally, the accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, combining and individual fund and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and the account group taken as a whole.

Neff & Ricci LLP

Albuquerque, New Mexico
October 1, 1999

NEW MEXICO FINANCE AUTHORITY
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

Assets and Other Debits	Proprietary Fund Type - Internal Service	Fiduciary Fund Types - Trust and Agency	Account Group - General Long - term Debt	Total (Memorandum Only)
Assets:				
Cash and cash equivalents	$ 3,817,220	$ 48,803,789	$ -	$ 52,621,009
Cash and cash equivalents - nonexpendable trusts	-	6,706,608	-	6,706,608
Receivables:				
Taxes	169,688	2,182,959	-	2,352,647
Interest	-	815,653	-	815,653
Grant and other	-	493,127	-	493,127
Loans, net of allowance	-	170,786,571	-	170,786,571
Unrestricted cash at trustee	-	943,482	-	943,482
Securities	-	17,887,165	-	17,887,165
Due from other funds	60,086	7,994	-	68,080
Restricted assets - cash and cash equivalents	1,118,433	127,658,251	-	128,776,684
Fixed assets, net	26,863	67,944	-	94,807
Deferred issue costs, net	127,715	-	-	127,715
Other assets	2,406	-	-	2,406
Other debit - amount to be provided for retirement of long-term debt	-	-	6,709,000	6,709,000
Total assets and other debit	$ 5,322,411	$ 376,353,543	$ 6,709,000	$ 388,384,954
Liabilities and Equity				
Liabilities:				
Accounts payable and other liabilities	$ 20,654	$ 554,520	$ -	$ 575,174
Accrued payroll, fringe benefits and compensated absences	56,197	-	-	56,197
Accrued interest payable	17,625	-	-	17,625
Funds held for others	-	109,150,795	-	109,150,795
Due to other state agencies	-	12,921,494	-	12,921,494
Due to trustee	222	1,555	-	1,777
Due to other funds	7,994	60,086	-	68,080
Bonds payable	4,200,000	216,206,321	-	220,406,321
Unamortized discount	-	110,977	-	110,977
Other long term debt	-	10,000,000	6,709,000	16,709,000
Total liabilities	4,302,692	349,005,748	6,709,000	360,017,440
Equity:				
Retained earnings	1,019,719	-	-	1,019,719
Fund balance - Reserved	-	27,347,795	-	27,347,795
Total equity	1,019,719	27,347,795	-	28,367,514
Total liabilities and equity	$ 5,322,411	$ 376,353,543	$ 6,709,000	$ 388,384,954

The Notes to Financial Statements are an integral part of these statements.

NEW MEXICO FINANCE AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1999

	Expendable Trust Funds
Revenues:	
Tax revenue	$ 25,953,110
Interest	7,686,088
Administrative	100,901
Total revenues	33,740,099
Current expenditures:	
Administrative fee	253,772
Professional services	202,478
Bad debt expense	96,854
Total current expenditures	553,104
Other expenditures:	
Debt service - interest expense	6,920,971
Grant expense	2,551,960
Bond issuance costs	384,767
Total other expenditures	9,857,698
Total expenditures	10,410,802
Excess of revenues over expenditures	23,329,297
Other financing sources (uses):	
Transfers to other state agencies	(17,144,903)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	6,184,394
Fund balance - Beginning of year	12,277,349
Fund balance - End of year	$ 18,461,743

The Notes to Financial Statements are an integral part of these statements.

NEW MEXICO FINANCE AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN EQUITY - PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 1999

	Proprietary Fund Type - Internal Service Fund	Nonexpendable Trust Funds	Total (Memorandum Only)
Operating revenues:			
Administrative fees	$ 299,970	$ -	$ 299,970
Interest income	284,119	354,639	638,758
Total operating revenues	584,089	354,639	938,728
Operating expenses:			
Salaries and fringe benefits	508,136	90,257	598,393
In-state travel	13,307	2,242	15,549
Maintenance and repairs	7,668	5,256	12,924
Supplies	18,243	-	18,243
Contractual services	154,956	41,650	196,606
Operating costs	119,566	18,360	137,926
Out-of-state travel	3,157	3,642	6,799
Depreciation	16,351	20,976	37,327
Total operating expenses	841,384	182,383	1,023,767
Operating income (loss)	(257,295)	172,256	(85,039)
Non operating revenues (expenses):			
Tax revenue	1,327,842	-	1,327,842
Grant revenue	-	2,551,960	2,551,960
Federal grant revenue	-	752,454	752,454
Interest expense	(236,750)	-	(236,750)
Bond issue costs and other	(18,245)	-	(18,245)
Net non operating revenue (expense)	1,072,847	3,304,414	4,377,261
Income before operating transfers	815,552	3,476,670	4,292,222
Other financing sources (uses):			
Transfers to other funds	(11,183)	11,183	-
Transfers to other state agencies	-	(695,051)	(695,051)
Total other financing uses	(11,183)	(683,868)	(695,051)
Net income	804,369	2,792,802	3,597,171
Fund balance - Beginning of year	215,350	6,093,250	6,308,600
Fund balance - End of year	$ 1,019,719	$ 8,886,052	$ 9,905,771

The Notes to Financial Statements are an integral part of these statements.

NEW MEXICO FINANCE AUTHORITY
COMBINED STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types - Internal Service Fund	Nonexpendable Trust Funds	Total (Memorandum Only)
Cash flows provided (used) from operating activities:			
Cash paid for employee services	$ (501,317)	$ (90,257)	$ (591,574)
Cash paid to vendors for services	(361,623)	(86,510)	(448,133)
Interest income received	284,120	354,639	638,759
Administrative fees received	409,026	-	409,026
Net cash provided (used) for operating activities	(169,794)	177,872	8,078
Cash flows provided (used) for non capital financing activities:			
Operating transfers	(11,182)	11,182	-
Cash paid to subrecipients for services	-	(502,363)	(502,363)
Federal grant revenue received	-	385,400	385,400
Cash provided by other funds	(2,034,815)	2,478,460	443,645
Net cash provided (used) for non capital financing activities	(2,045,997)	2,372,679	326,682
Cash flows from capital and related financing activities:			
Loans funded	-	(383,252)	(383,252)
Payment of bonds	(600,000)	-	(600,000)
Restricted assets - reserve funds	(64,700)	-	(64,700)
Tax revenue	1,453,087	-	1,453,087
Interest expense	(239,050)	-	(239,050)
Fixed asset purchases	(21,304)	(27,468)	(48,772)
Net cash provided (used) for capital and related financing activities	528,033	(410,720)	117,313
Net (decrease) increase in cash and cash equivalents	(1,687,758)	2,139,831	452,073
Cash and cash equivalents - beginning of year	5,504,978	4,679,193	10,184,171
Cash and cash equivalents - end of year	3,817,220	6,706,608	10,523,828
			-
Reconciliation of operating loss to net cash used for operating activities - operating income (loss)	(257,295)	172,256	(85,039)
Adjustments to operating income (loss):			-
Depreciation	16,351	20,976	37,327
(Increase) decrease in accounts receivable	-	22,347	22,347
(Increase) decrease in accrued payroll, fringe benefits and compensated absences	(10,163)	-	(10,163)
Increase (decrease) in accounts payable	(27,743)	(15,360)	(43,103)
(Increase) decrease in due from other funds	109,056	-	109,056
Net cash provided (used) for operating activities	$ (169,794)	$ 177,872	$ 8,078

The Notes to Financial Statements are an integral part of these statements.

NOTE 1. ORGANIZATION

The Laws of 1992, Chapter 61, as amended, created the New Mexico Finance Authority (Authority). The purpose of the New Mexico Authority Act (Act) is to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.

The Authority's governing board is composed of twelve members. The State Investment Officer, the Secretary of the Department of Finance and Administration, the Secretary of Economic Development, the Secretary of Energy, Minerals and Natural Resources, the Secretary of the Environment Department, the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties are ex-officio members of the Authority with voting privileges. The Governor, with the advice and consent of Senate, shall appoint to the Authority the chief financial officer of an institution of higher education and four members who are residents of the state. The appointed members serve at the pleasure of the governor.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the state except as specifically provided in the New Mexico Finance Authority Act.

The Act specifically excludes the Authority from the definition of "state agency" or "instrumentality" in any other law of the state unless specifically referred to in the law.

The Attorney General's Opinion dated December 23, 1992, concludes that the Authority is an agency of the state at least for certain purposes. The Opinion subjects the Authority to the Open Meetings Act and concludes that the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Opinion excludes the Authority from other sections of the Per Diem and Mileage Act, the Procurement Code and DFA vouchering requirements.

Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof.

The Authority is a governmental entity in accordance with Governmental Accounting Standard Board Statement No. 14. The Authority is a governmental entity because it was established by statute; its relationship with other governmental entities; the governmental make-up of the Authority's governing board; sources of tax revenue and ability to issue tax-exempt debt.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Authority are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental fund not recorded directly in those funds.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Authority is responsible for the fair presentation in the general-purpose financial statements of financial position, results of operations and cash flows of the proprietary funds and non-expendable trust funds in conformity with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority receives sources of tax revenue from other agencies for the purpose of issuing and financing debt. Based on the legislation, bond or joint powers agreements, the Authority determines the appropriate accounting treatment for each financing program. Certain financing programs in which the excess tax revenue received after debt service payments or excess bond proceeds, or interest income earned on the bond proceeds can be used for the Authority's benefit and are accounted for in the internal service fund. Other financing programs are accounted for as expendable trust funds when tax revenue in excess of debt service payments can only be expended for another agency, a specific purpose or have other outside restrictions.

The Authority has the following fund types and account group:

Proprietary Funds. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, in accounting and reporting for its proprietary operations. Proprietary funds include the following fund type:

The internal service fund accounts for operations that provide services to other State of New Mexico departments or agencies or to other local government entities on a cost-reimbursement basis. The internal service fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds. These funds account for assets held by the Authority in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Authority under the terms of an agreement.

The expendable trust fund is accounted for in essentially the same manner as a governmental fund type. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers the revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for interest on long-term debt, which is recognized when paid. Also bond premiums and discounts, as well as issuance costs are recognized during the current period. Expendable trust funds account for assets where both the principal and interest may be spent.

The nonexpendable trust funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focuses and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent.

The Governmental Accounting Standards Board (GASB) Codification Section 1500.102 states that long-term obligations "directly related to and expected to be paid from proprietary and trust funds should be included in the accounts of such funds." Accordingly, the Authority has elected to record the debt of such funds to the applicable funds.

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The agency fund is used to account for assets that the Authority holds for others in a agency capacity. The Authority has established a separate agency fund for each of the equipment loan program debt issues.

Account Groups. The general long-term debt account group is used to account for general long-term debt that are not specific liabilities of proprietary or trust funds.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs and Funds. The following describes the nature of the programs and funds maintained by the Authority:

Internal Service Fund.

State Building Program-Cigarette Tax. This accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico cigarette taxes, for the purpose of financing building projects in New Mexico. Section 7-1-6.11, NMSA, 1978 Compilation provides for a distribution to the Authority of seven and one-eighth percent of the net receipts attributable to the cigarette tax with the first distribution made as of August 1, 1993. The cigarette tax monies are to be used by the Authority to finance the construction of a cancer research center and sell revenue bonds in compliance with the New Mexico Finance Authority Act in an amount not exceeding six million dollars ($6,000,000) for the purpose of designing, constructing, equipping and furnishing an addition to the Cancer Center at the University of New Mexico. The parties have entered into a Joint Powers Agreement to accomplish this purpose. The bonds were issued on July 11, 1996. The cigarette tax proceeds distributed to the New Mexico Finance Authority pursuant to Section 7-1-6.11 NMSA 1978 are appropriated to the Authority to be pledged irrevocably for the payment of the principal or interest on the bonds or any payments for refunding or redemption premiums on the bonds and for payment of the costs incurred by the Authority related to authorization, issuance and sale of the bonds.

The Laws of 1993, Chapter 358, authorizes funds in the State Building Program-Cigarette Tax, in excess of the amount necessary for payment of principal and interest on outstanding bonds and necessary reserves or sinking funds, to be transferred to any other account of the Authority as needed for purposes of the New Mexico Finance Authority Act. Also, the joint power agreement in effect as of June 30, 1999, states that all and any interest income and surplus bond proceeds will remain with the Authority.

Expendable Trust Funds.

State Building Programs-Workers' Compensation Assessment. This accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico workers' compensation assessments for the purpose of financing an office building for the Workers' Compensation Administration.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Laws of 1993, Chapter 367, Section 73, effective April 8, 1993, as amended by Laws of 1994, Chapter 91, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $3,500,000 for planning, designing, constructing, equipping and furnishing a state office building for the Workers' Compensation Administration that complies with the American with Disabilities Act of 1990. The 1994 amendment authorized the Authority to issue and sell additional revenue bonds in an amount not to exceed $2,500,000 when the property control division of the General Services Department certifies the need for issuance of the bonds. The bond proceeds are for acquiring land and making site improvements for the aforementioned state building. The parties have entered into a joint powers agreement to accomplish this purpose. $4,310,000 of bonds were issued during July 1996. The first $.40 of the workers' compensation assessment imposed pursuant to Section 52-5-19, NMSA, 1978 is distributed to the Authority and is appropriated to be pledged irrevocable for payment of principal, interest, any premium and expenses related to the issuance and sale of the bonds. Revenue distributed to the Authority shall be deposited in a special bond fund or account and any money distributed to the Authority shall be deposited in a special bond fund or account and any money remaining in the fund at the end of each calendar quarter, after all current obligations and any sinking fund requirements are met shall be transferred to the workers' compensation administration fund upon request. Also, according to the joint powers agreement in effect, any surplus bond proceeds and interest will be used for the project.

Upon payment of all principal and interest and any other obligations or expenses related to issuance of the bonds, the Authority shall certify to the Taxation and Revenue Department that all obligations have been fully discharged and direct the Department to cease payments of workers' compensation assessment fee revenue to the Authority.

Public Projects Revolving Fund. This fund is used to account for governmental gross receipts tax (GGRT) proceeds received under the Laws of 1994, Chapter 145, Section 1. The Authority receives an amount equal to seventy-five percent of the net receipts attributable to GGRT pursuant to Section 7-1-6.1, NMSA 1978.

Of the GGRT revenues directed to the Authority's Public Project Revolving Fund, which are not used to pay debt service on PPRF obligations, an aggregate amount not to exceed thirty-five percent shall be available for appropriation by the Legislature to the following funds for local infrastructure financing: the wastewater facility construction loan fund, the rural infrastructure revolving loan fund, the solid waste facility grant fund, and the drinking water state revolving loan fund. The remaining GGRT revenue deposited may be granted or loaned directly by the Authority to

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

qualified entities or "leveraged" by pledging the revenue stream to the issuance of bonds and granting, or lending, the bond proceeds. All projects to be financed must be approved by the Legislature.

Primary Care Capital Fund. The Laws of 1994, Chapter 62, created the Primary Care Capital Fund to provide funding for capital projects to eligible entities in order to increase health care services in rural and other health care underserved areas in the state. The revolving fund, to be administered by the Authority, shall consist of appropriations, loan repayments, gifts, grants, donations and interest earned on investment of the fund. Money in the fund shall not revert at any fiscal year end. The State of New Mexico Department of Health, and the Authority administer the loan programs and contracts for services established pursuant to the Primary Care Capital Funding Act. The Department of Health, in conjunction with the Authority, shall adopt regulations to administer and implement the Act.

Laws of 1994, Chapter 147, appropriated $5,000,000 for the Primary Care Capital Fund for rural primary care capital funding. Laws of 1994, Chapter 6, appropriated $95,000 to the Department of Health to contract with the Authority for assistance to the Department and administration of the Primary Care Capital Fund.

Court Automation Financing Fund. The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount not to exceed $8.5 million for the purpose of financing acquisition of court automation systems for the state court system, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. $8.5 million of court automation fee revenue bonds were issued on June 25, 1996. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the state, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the motor vehicle code involving the operation of a motor vehicle. The pledged revenues are paid to the Authority. Pledged revenues in excess of debt service and related expenditures may be appropriated by the Legislature to the Administrative Office of the Courts for the acquisition of court automation systems.

Insurance Department Financing Fund. The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount not to exceed $1 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance. The Legislature imposed a three dollar ($3.00) surcharge on the annual continuation of appointment fees on approximately 60,000 insurance agents subject to the fees to provide security for the bonds. On April 18, 1996, the New Mexico Insurance Department requested the Authority to issue $525,000 of the authorized

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

bonds for acquiring information and communication equipment. The bonds were privately placed in a transaction that closed on May 23, 1996, and the proceeds were transferred to the New Mexico Department of Insurance. The pledged revenues are paid to the Authority. Pledged revenue in excess of debt service and related expenditures may be appropriated by the Legislature to the Department of Insurance for the acquisition of information and communication equipment.

Administrative Fee Revenue Program (TRIMS Project). Chapter 125, Laws of New Mexico 1997 was enacted to authorize the Authority to sell up to $33,709,800 of bonds for the purpose of financing the New Mexico Taxation and Revenue Department (NMTRD) information management systems project (TRIMS Project). The TRIMS Project is an integration and updating of on-line, multi-user systems that process taxation, motor vehicle tax and fee collections, revenue distributions and information processing by the NMTRD. Revenue from NMTRD's administrative fees are pledged to repay the bonds. The Authority issued $17,440,660 of Administrative Fee Revenue Bonds Series 1997A in September 1997.

Highway 44 Finance Fund. Series 1998A Bonds were issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMSA 1978, as amended, and the Indenture. The Series 1998A Bonds were issued by the Authority to finance the cost of an infrastructure project, which includes the acquisition, construction, expansion and improvement of approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes by the New Mexico Highway and Transportation Department (NMSHTD), and are payable solely from the NMFA's rights to payments under a Loan Agreement between the NMFA and NMSHTD. $100,230,000 of Federal Highway Grant Anticipation Revenue Bonds were issued on September 1, 1998. The Obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a revenue pledge, which consists of certain revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

State Capitol Improvement Financing Fund. The laws of 1997, Chapter 178, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $10,155,000 for the purpose of repairing, remodeling, constructing and equipping a State building located adjacent to the state capitol in Santa Fe known as the New Mexico state library and for relocation-associated renovations in the state capitol. $510,000 of revenue bonds were issued on May 17, 1999, and $8,805,000 of revenue bonds were issued on June 1, 1999, for a total outstanding of $9,315,000. Monthly, all income and distributions creditable to the capitol buildings repair fund shall be

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

distributed by the State Treasurer to the Authority and are appropriated to the Authority to be pledged irrevocable for the payment of the bonds.

Metro Court Financing Fund. The laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. As of June 30, 1999, bonds have not been issued. On April 13, 1999, the Bernalillo County Metropolitan Court entered into an interim loan agreement with the Authority in the amount of $5,000,000 for the purpose of providing interim financing for any project approved or funded by the Legislature prior to issuance of revenue bonds. The pledged revenues for the project consist of a portion of the docketing fees and costs collected by various courts of the state, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the motor vehicle code involving the operation of a motor vehicle.

Non Expendable Trust Fund

New Mexico Drinking Water State Revolving Loan Fund. The New Mexico Drinking Water State Revolving Loan Fund Act (Act) creates the New Mexico Drinking Water State Revolving Loan Fund (DWRLF), which is administered by the Authority.

The Authority is charged with establishing, in cooperation with the New Mexico Environment Department, a loan program to provide local authorities with low-cost financial assistance in the construction of necessary drinking water facilities.

Money deposited into the DWRLF may be used: 1) to make loans at or below the market rate for eligible purposes for terms no longer than twenty years after completion of construction (loans for disadvantaged communities are the exception and may be for terms up to thirty years); 2) to buy or refinance a municipality's debt obligation, if combined with a new project, if the debt was incurred after July 1, 1993; 3) to guarantee or buy insurance for a local obligation to improve credit access or market rates; 4) as a source of revenue of security for the payment of principal and interest on revenue or general obligation bonds issued by the State, if the proceeds will be deposited in the DWRLF; and, 5) to earn interest on the amounts deposited into the DWRLF.

The Act states further that grants from the federal government or its agencies, allotted to New Mexico for capitalization of the DWRLF, shall be directly deposited into the DWRLF and the Authority shall maintain full authority for the operation of the DWRLF, in accordance with applicable federal and state law.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State matching funds were appropriated with the passage of House Bill 1277, (Laws 1997, Chapter 170) by the 1997 Legislature. House Bill 1277 appropriated $2,551,960 from the PPRF to the DWRLF. During 1999 the $2,551,960 was accounted for as grant expense in the PPRF and as grant revenue in the DWRLF.

Agency Fund

Equipment Loan Program. The Authority has established an equipment loan program under the Authority's legislation to assist local government entities in the financing and purchase of equipment. The Authority has issued the following Pooled Equipment Certificates of Participation. In October 1994, the Authority issued $646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were loaned to ten local governments in the state. On August 29, 1995, NMFA issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A, the proceeds of which were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued $2,904,000 aggregate principal amount of its Equipment Program Certificates of Participation, Series 1995B, the net proceeds of which were loaned to the City of Las Cruces. On December 3, 1996, the Authority issued $1,820,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation Series 1996B, the proceeds of which were loaned to various governmental entities in the state.

The loans are assigned to a trustee by the Authority and the only sources of repayment are various sources of local government revenues secured by intercept agreements and paid to the trustee. These certificates are not an obligation of the Authority. The funds are maintained by the trustees and are held in the Authority's and the local entity's names. Accordingly, these funds are accounted for as agency funds in the financial statements. The certificates of participation meet the criteria of conduit debt obligations. The Authority has decided to record the debt to the general long-term debt account group because of their oversight responsibilities.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer, First Security Bank and with banks acting as bond trustees. Cash in the various programs on deposit with the State Treasurer are invested by the New Mexico State Treasurer in the "overnight" repurchase program. Interest is credited to the various programs based on the programs average monthly balance. Average monthly interest rates are also used in determining the interest to be credited to the various programs. Funds held by the banks and the Authority acting as trustees are invested in money market accounts that invest in United States Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. State law requires that

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

repurchase agreements be secured by collateral with a market value greater than 102 percent of the value of the agreement.

Money in all funds of the Authority may be deposited with the State Treasurer for short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico or any political subdivision of the State or as otherwise provided by the trust indenture or bond resolution, if funds are pledged for or secure payment of bonds issued by the Authority.

Securities. The Authority has purchased State of New Mexico Department of Energy, Minerals and Natural Resources, Jemez Springs, and New Mexico Interstate Stream Commission bonds which are recorded at cost which approximates market value.

Loans. Loans are stated at their principal amount. Interest on loans is accrued for based on the daily principal balance outstanding except when a loan has been past due for 90 days. All significant loans are to governmental entities secured by tax revenue or are loaned to other entities, which are repaying the loans in accordance with their loan agreements. There are no loans past due for more than 90 days at the end of the fiscal year, which would be required to be placed on nonaccrual status.

Allowance for Loan Losses. The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors; including collateral value, past loan loss experience, current facts, and economic conditions. The allowance is based on management's estimates and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and, any necessary adjustments are reported in income in the period they become known.

Property, Furniture and Equipment. Property, furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment purchases with useful lives over one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets which range from 3 to 7 years. In addition, furniture and equipment with lives of one year or less, and maintenance and repairs, which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

Income Taxes. The Authority is a tax exempt, quasi-governmental organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Authority is subject to other Internal Revenue Code sections relating to the tax-exempt status of the bonds issued by the Authority.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Compensated Absences Payable. Full-time employees are entitled to ten days annual leave with four years or less employment with the Authority. Employees with more than four years receive fifteen days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination.

Full-time employees are entitled to twelve days of sick leave each fiscal year. Part-time employees accrue annual leave and sick leave on a prorated basis based on the number of hours they work. A full-time employee may receive cash payment at a rate of fifty percent of their hourly wage for any accrued sick leave in excess of forty hours up to a maximum of one hundred twenty hours on the first full pay period in July. An employee may accrue a maximum of 1,040 hours. Accumulated sick leave is not compensated on termination of employment unless the employee retires. Then the employee can be paid for accrued sick leave in the excess of 600 hours at fifty percent of their hourly wage rate, not to exceed 600 hours. Accrued compensated absences are recorded in the internal service fund.

Budgets and Budgetary Accounting. The Authority prepares a budget for the operations program of the internal service fund and for the DWRLF. Theses budgets are approved by the Authority's board of directors and are also amended by the Authority's board. The budgets are prepared on a cash basis. The differences between the accounting on a budgetary basis and GAAP basis are that capital outlay is a budgetary expenditure and depreciation expense is not a budgetary expenditure and accruals for receivables and payables are made for the GAAP basis. The budgets are used as a guide by management and the Board and are not required by Statute.

Restricted Assets. Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or legislation. The cash and cash equivalents held for others by trustees have the following restricted assets. The "debt service and bond reserve" accounts are used to report resources held by trustee and set aside for future debt service payments. The "program-grant proceeds" account is used to report those proceeds of bond issuances that were issued to finance a grant to another state agency. The "program-bond proceeds" account is used to report those proceeds of bond issues that were loaned to other governmental entities, which the borrowers have not yet expended. The "cash and cash equivalents held for others by the Authority" account is used to segregate bond proceeds that will be used for specific purposes as required by legislation. "Cash and cash equivalent pledged for repayment of bonds and bond expenses held by trustee" is used to report funds set aside for debt repayment, bond issuance, and other costs by the Authority.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Flows. For purposes of the Statement of Cash Flows, the various funds consider all highly liquid assets (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond Discounts, Premiums and Issuance Costs. In governmental fund types, bond discounts, premiums and issuance costs are recognized in the current period. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs.

Fund Equity. The internal service fund unreserved retained earnings deficit represents the cumulative excess of expenses over operating revenues. Reserves represent those portions of fund equity appropriated for or legally segregated for a specific future use.

Use of Estimates. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund and Interagency Transactions. These are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except reimbursements and administrative fee transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Interagency transfers are recorded as operating transfers in (out) to other state agency under the other financing sources (uses) category.

Totals (Memorandum Only) Columns. Totals columns in the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

NOTE 3. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE

Funds held for others and short-term investments are held at the trustees in the name of the applicable government entity and the Authority's. The following is a reconciliation of cash and cash equivalents and funds held for others to the financial statements.

Cash and cash equivalents:	
State Treasurer cash account (#879-385-04)	$ 4,432,097
State Treasurer Local Government Investment Pool	54,876,426
Money market accounts invested in short-term U.S. Treasury obligations	24,149,031
Repurchase agreements	105,571,135
First Security Bank accounts	19,094
	$ 189,047,783

The Authority's deposits are categorized to give an indication of the level of risk assumed by the Authority at year end. Category 1 includes deposits that are insured. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 represents deposits that are required by state statutes to be collateralized at a minimum level of 50 percent. All of the Authority's bank accounts are invested in repurchase agreements. Deposits with the State Treasurer are not required to be categorized.

	Category			Bank	Book
	1	2	3	Balance	Balance
Bank repurchase agreements	$ -	208,816	-	208,816	19,094

The Authority has the following bank accounts at First Security Bank at June 30, 1999:

Internal Service Fund	Account Number	Book Balance	Bank Balance
Operating account	631-10003-99	$ 61,535	208,816
Wire transfers	631-10003-73	(42,441)	-
Cash balance		$ 19,094	208,816

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured or unregistered investments, or for which securities are held by the counterparty's trust department or agent in the Authority's name. The Authority does not have any Category 2 investments. Category 3

NOTE 3. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE (CONTINUED)

represents uninsured and unregistered investments, not held in the Authority's name. The Authority does not have Category 3 investments. The fair value of the Authority's investments approximates market at June 30, 1999.

Funds held for others by trustees represent funds held by financial institutions as trustees and paying agents for the Authority for its various bond issues. The source of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts which invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations. The Authority's investments are held by financial institutions in the Authority's name.

NOTE 4. LOANS RECEIVABLE

Loan receivable balances consist of the following at June 30, 1999:

Entity	Loan Balance
Expendable trust funds	
Public Project Revolving Loan Fund	$ 68,832,503
Less:	
Allowance for loan losses	96,854
	68,735,649
Highway 44 Financing Fund	100,230,000
	168,965,649
Nonexpendable trust fund	
Primary Care Capital Fund	1,820,922
	$170,786,571

Public Project Revolving Loan Fund

The Public Projects Revolving Fund loans receivable balance at June 30, 1999, is $68,832,503 and consists of loans made to various entities. Those entities with balances greater than ten percent of the total balance include the City of Santa Fe (defeased through the City of Santa Fe) (24 percent), and Northwest New Mexico Regional Solid Waste Authority (12 percent).

NOTE 4. LOANS RECEIVABLE (CONTINUED)

Terms for the Public Project Revolving Loans vary with interest rates ranging from 3 percent to 6 percent. The following is a summary of future loan principal and interest to be collected based on the loan repayment schedules after year-end:

	Principal	Interest	Total
July 1, 1999 to June 30, 2004	$ 24,731,421	13,594,299	38,325,720
July 1, 2004 to June 30, 2009	14,500,397	10,238,087	24,738,484
July 1, 2009 to maturity in 2024	29,600,685	10,089,541	39,690,226
	$ 68,832,503	33,921,927	102,754,430

An analysis for the allowance for loan losses is as follows:

Balance, beginning of year	$ -
Provision for loan losses	96,854
Balance, end of year	$ 96,854

Management considers non-accrual loans to be impaired. As of June 30, 1999 there are no non-accrual loans. Based on management's analysis, there are no other impaired loans as of June 30, 1999.

Highway 44 Financing Fund

The Highway 44 Financing Fund consists of one loan receivable with the New Mexico State Highway Department for $100,230,000 at June 30, 1999. Terms for the loan include an interest rate of 5.04 percent. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year end.

	Principal	Interest	Total
July 1, 1999 to June 30, 2004	$ 15,175,000	24,762,869	39,937,869
July 1, 2004 to June 30, 2009	29,810,000	17,143,251	46,953,251
July 1, 2009 to maturity in 2015	55,245,000	10,044,471	65,289,471
	$ 100,230,000	51,950,591	152,180,591

No allowance for uncollectible loans has been established as the New Mexico State Highway Department is current on their payments and loan repayments are secured by applicable sources of tax revenues.

NOTE 4. LOANS RECEIVABLE (CONTINUED)

Primary Care Capital Fund

The Primary Care Capital Fund detail of loans receivable at June 30, 1999 is as follows:

Health Centers of Northern New Mexico	$ 478,839
La Clinica De La Familia	437,903
La Clinica Del Pueblo De Rio Arriba	388,841
La Clinica Del Norte	265,000
Pecos Valley Medical Center	118,485
Choice Health Care	131,854
	$ 1,820,922

Terms for each loan vary with interest rates at 3 percent. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year end.

	Principal	Interest	Total
July 1, 1999 to June 30, 2004	$ 568,612	214,224	782,836
July 1, 2004 to June 30, 2009	560,580	146,155	706,735
July 1, 2009 to maturity in 2014	691,730	58,122	749,852
	$ 1,820,922	418,501	2,239,423

No allowance for uncollectible loans has been established as the primary care facilities loan repayments are secured by applicable sources of pledged receivables.

NOTE 5. SECURITIES

At June 30, 1999, securities for the Public Projects Revolving Fund (PPRF) consisted of $15,986,198 Department of Energy, Minerals, and Natural Resources Bonds (Series 1995A, 1995B, 1996A, 1996B, 1997A, 1997B, 1998A, and 1998B). $54,290 of Jemez Springs Bonds and $1,846,677 of Interstate Stream Commission Bonds (Series 1998). The Department of Energy, Minerals, and Natural Resource Bonds have interest rates ranging from 3 percent to 5.95 percent with final maturity on June 1, 2017. The Jemez Springs Bonds have interest rates ranging from 4.20 percent to 5.45 percent with a final maturity on May 1, 2012. The New Mexico Interstate Stream Commission Bonds have interest rates ranging from 5.92 percent to 6.19 percent with final maturity on May 1, 2000. The securities are carried at cost which approximates market value.

The following is a summary of future maturity and interest to be collected based on contractual maturity of the securities after year-end.

	Principal	Interest	Total
July 1, 1999 to June 30, 2004	$ 4,200,341	4,170,684	8,371,025
July 1, 2004 to June 30, 2009	5,096,580	3,027,712	8,124,292
July 1, 2008 to maturity in 2018	8,590,244	2,089,984	10,680,228
	$ 17,887,165	9,288,380	27,175,545

NOTE 6. DUE FROM/TO OTHER FUNDS AND TRANSFERS

Due from and due to other funds as reported in the combined balance sheet as of June 30, 1999 are as follows:

	Due From	Due To
Internal service fund	$ 60,086	7,994
Expendable trust funds:		
Public Projects Revolving Fund	7,994	-
Administrative Fee Revenue Program Fund	-	36,402
Agency Funds:		
1994 Equipment Program	-	1,752
1995 Equipment Program	-	5,627
1996A Equipment Program	-	6,443
Nonexpendable trust fund:		
DWRLF	-	9,862
	$ 68,080	68,080

Transfers from and to other funds as reported for the year ended June 30, 1999 are as follows:

	Transfers From	Transfers To
Expendable trust funds:		
Public Projects Revolving Fund	$ 200,000	-
Insurance Department Financing Fund	-	200,000
Internal service fund:		
Cigarette Tax Program	383,111	-
Operations	-	371,928
Non expendable trust fund:		
DWRLF	-	11,183
	$ 583,111	583,111

NOTE 7. DUE TO OTHER STATE AGENCIES, GRANTS AND TRANSFERS

During the 1996 fiscal year, the Authority granted the State of New Mexico Environment Department (Environment) $9,000,000 from the bond proceeds of the Public Project Revolving Fund Series 1995A and 1995B bonds, and during the 1997 fiscal year, the Authority granted $16,000,000 from the bond proceeds of the Public Project Revolving Fund Series 1996A and B bonds issued under the Authority's legislation and joint powers agreement with Environment. The Environment grant bond proceeds and interest income earned totaling $12,921,494 are accounted for in the Public Project Revolving Fund balance sheet under restricted assets as cash and cash equivalents held for state agency and due to state agencies.

The following expendable trust funds transferred these amounts to the following entities for the year ended June 30, 1999:

Court Automation Financing Fund transferred $2,737,064 to the Administrative Office of the Courts. $1,996,537 were rebated back to the Courts and $740,527 was for the purchase of computer hardware.

Workers' Compensation Financing Fund transferred $2,163,884 to the General Services Department. $466,796 were funds rebated back to Workers' Compensation and $1,697,088 were funds for construction of a building.

The Administrative Fee Revenue Program Fund transferred $6,931,871 to the Taxation and Revenue Department for the TRIMS Project. $5,000,000 was transferred for an Interim Loan.

Insurance Department Financing Fund transferred $200,000 to the New Mexico Department of Insurance for their purchase of information and communication equipment.

Metro Court Financing Fund transferred $112,084 to the Administrator of Metro Court for their preliminary studies related to building construction.

NOTE 8. FIXED ASSETS

Fixed assets are accounted for at cost in the internal service fund and the DWRLF at June 30, 1999 and consist of the following:

	Internal Service Fund	DWRLF
Furniture, fixtures and equipment	$ 96,317	88,366
Less accumulated depreciation	69,454	20,422
Net fixed assets	$ 26,863	67,944

NOTE 9. BONDS PAYABLE

Bonds outstanding as of June 30, 1999, for the Authority's internal service fund consists of:

Special Cigarette Tax Revenue Bonds. In July 1996, the Authority sold $6,000,000 of Special Cigarette Tax Revenue Bonds as part of the internal service fund cigarette tax program. The purpose of the bonds are for the designing, constructing, equipping and furnishing an addition to the University of New Mexico Cancer Center. The bonds are secured by the Authority's cigarette tax revenue.

Bonds outstanding as of June 30, 1999, for the Authority's expendable trust funds consist of the following:

Workers' Compensation Financing Fund. In July 1996, the Authority sold $4,310,000 of New Mexico Finance Authority Workers' Compensation Administration Building Revenue Bonds Series 1996. The proceeds are for the acquisition of land and construction of an office building for the Workers' Compensation Administration. The bonds are solely payable from the revenues derived from the first $.40 of the quarterly workers' compensation assessment paid to the Authority.

NOTE 9. BONDS PAYABLE (CONTINUED)

Public Projects Revolving Funds.

Series 1995A and 1995B. In July 1995, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1995A and Taxable Series 1995B in the aggregate principal amounts of $41,230,000 and $4,000,000, respectively.

Series 1996A and 1996B. In September 1996, the Authority issued its Public Project Revolving Fund, Series 1996A and 1996B in the aggregate principal amounts of $17,625,000 and $3,500,000, respectively. The proceeds of such bonds were used to make loans to numerous governmental entities and to purchase bonds from the Department of Energy, Minerals and Natural Resources. A portion of the proceeds of such bonds were used to make a $9,000,000 grant in 1996 and a $16,000,000 grant in 1998 to the Environment Department in exchange for a pledge of the Environment Department's share of certain monies to the Authority to repay all outstanding public project revolving fund bonds.

Series 1997A. On December 1, 1997, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1997A in the aggregate principal amount of $8,585,000. The Series 1997 Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1998 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1997A Bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources as investment securities.

Series 1999A, 1999B, 1999C, and 1999D. On January 1, 1999, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1999A and 1999B (tax-exempt) and Series 1999 and 1999D (taxable) in the aggregate amount principal amounts of $13,135,000, $3,025,000, $2,265,000, and $4,875,000 respectively. The Series 1999 Bonds were issued by the Authority to reimburse the Public Project Revolving Loan Fund for loans made to the 1999 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1999 bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources and the New Mexico Interstate Stream Commission's investment securities. All of the bonds are secured from the Authority's portion of governmental gross receipts tax and income and principal from the loans and investments financed by the proceeds of the issue.

NOTE 9. BONDS PAYABLE (CONTINUED)

Insurance Department Financing Fund. On May 23, 1996, the Authority issued $525,000 of New Mexico Finance Authority Insurance Department Surcharge Revenue Bonds, which was refunded on December 1, 1998 and reissued at $400,000, to finance information and communication equipment for the New Mexico Department of Insurance. A $3 surcharge on insurance agents annual fee is the only pledged revenue source for the repayment of the bonds and is paid to the Authority.

Court Automation Financing Fund. On June 25, 1996, the Authority issued $8,500,000 of New Mexico Finance Authority Court Automation Fee Revenue Bonds. The bonds were issued to finance the costs of acquiring court automation systems, including accusation, development and installation of computer hardware and software, for the Administrator Office of the Court of the State of New Mexico. The bonds are payable from and secured only by a pledge of a portion of certain docketing fees imposed and collected by the courts in the state and certain costs collected in connection with motor vehicle and other violations. These fees and costs are paid to the Authority.

Administrative Fee Revenue Program Fund (TRIMS Project) Series 1997A. On September 11, 1997, the Authority issued $17,440,600 of New Mexico Finance Authority (TRIMS Project) revenue bonds. The bonds were issued to finance an information management system to assist in tax collections to be used by the New Mexico Taxation and Revenue Department (NMTRD). The principal and interest on the Series 1997A Bonds are payable solely from and secured solely by the pledged revenues, which include revenues from administrative fees payable to and withheld by NMTRD from collections of municipal and country local option gross receipts taxes, and administrative fees from collections of solid waste assessment fees, boat excise tax and registration fees, tax intercept payments and water conservation fees, as well as proceeds of the series 1997A Bonds and investment earnings on the proceeds and revenues.

Highway 44 Financing Fund. On September 1, 1998, the Authority issued $100,230,000 of Federal Highway Grant Anticipation Revenue Bonds. The bonds were issued to finance the cost of an infrastructure project, which includes the acquisition, construction, expansion and improvement of approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes by the New Mexico State Highway and Transportation Department ("NMSHTD"), and are payable solely from the Authority's rights to payments under a Loan Agreement between the Authority and NMSHTD. The obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a pledge, which consist of revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

NOTE 9. BONDS PAYABLE (CONTINUED)

State Capital Improvement Financing Fund. On May 11, 1999, the Authority issued $9,315,000 of New Mexico Finance Authority State Capitol Building Improvement Revenue Bonds, Taxable Series 1999. The bonds were issued for the purpose of repairing, remodeling, constructing and equipping the New Mexico State Library and for relocation associated renovations in the State Capital.

Bonds outstanding are direct obligations of the Authority for which its full faith and credit are pledged and are payable from pledged tax revenues of various entities. During fiscal year 1999, the Authority issued $132,845,000 in new bonds.

	Amount	Interest Rate	Final Maturity
Internal service fund			
Special Cigarette Tax Revenue Bond	$ 4,200,000	4.80-5.25%	June 1, 2006
Expendable trust funds			
PPRF 1995A	34,625,000	4.65-6.45	June 1,2023
PPRF 1996A and B	17,565,000	4.40-6.00	July 1, 2021
PPRF 1997	8,025,721	4.25-4.90	June 1, 2017
PPRF 1999A, B, C and D	22,170,000	3.30-6.30	June 1, 2018
Workers Compensation Financing Fund	4,060,000	5.00-5.60	Sept. 1, 2016
Insurance Department Financing Fund	300,000	3.75-4.00	June 15, 2003
Court Automation Financing Fund	5,355,000	4.60-4.90	June 1, 2003
Administration Fee Revenue Program	14,560,600	(a)	Jan.1, 2007
Highway 44 Financing Fund	100,230,000	3.95-5.25	Sept. 1, 2015
State Capitol Improvement Financing Fund	9,315,000	7.0	March 15, 2015
	216,206,321		
Total	$220,406,321		

(a) Interest on the Series 1997A Bonds will be paid at the lesser of (a) a weekly rate or long-term interest rates as selected by the Authority and as determined in accordance with the First Supplemental Indenture and (b) the maximum rate, or, when a letter of credit secures the payment of the Series 1997A Bonds, such lower maximum rate as may be specified in the letter of credit. Interest will initially be payable at a weekly rate, as set forth in the First Supplemental Indenture. The Authority may change the interest rate determination method to a long-term interest rate mode. Such a change will result in the Series 1997A Bonds becoming subject to mandatory tender for purchase on the effective date of such change. While there exists an Event of Default

NOTE 9. BONDS PAYABLE (CONTINUED)

under the indenture, the interest rate of the Series 1997A Bonds will be the rate on the Series 1997A Bonds on the day before the event of default occurred. At no time will the Series 1997A bond bear interest at a rate in excess of 12 percent.

The annual requirement to amortize the bonds outstanding is as follows:

	Principal	Interest	Total
2000	$ 9,903,989	10,829,286	20,733,275
2001	9,548,765	10,453,533	20,002,298
2002	17,335,042	10,023,785	27,358,827
2003	13,450,804	9,321,758	22,772,562
2004	10,205,000	8,714,138	18,919,138
Thereafter	159,962,721	61,025,560	220,988,281
	$220,406,321	110,368,060	330,774,381

NOTE 10. GENERAL LONG-TERM DEBT

The Authority has issued Certificates of Participation under the Equipment Loan Program. The proceeds are loaned to various governmental entities to purchase equipment. The loans have been assigned to trustees. The certificates are secured by various sources of local government revenues secured by intercept agreements which direct sources of revenues from the borrowers to the trustees. The certificates are not an obligation of the State of New Mexico or the Authority. However, the Authority has decided to record the debt to the general long-term debt account group because of its oversight responsibilities.

In October 1994, the Authority issued $646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were used to make loans to ten local governments in the State. On August 29, 1995, the Authority issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A. The proceeds were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued $2,904,000 aggregate principal amount of its Equipment Program Certificates of participation, Series 1995B. The net proceeds were loaned to the City of Las Cruces. On March 19, 1996, the Authority issued $1,458,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1996A. The net proceeds were loaned to thirteen local governmental entities in the state. On December 3, 1996, the Authority issued $1,820,000 aggregate principal amount of its Pooled Equipment

NOTE 10. GENERAL LONG-TERM DEBT (CONTINUED)

Program Certificates of Participation Series 1996B. The net proceeds were loaned to various governmental entities in the state. Interest rates on the equipment loans range from 4.5 percent to 6.3 percent.

The following changes occurred in the general long-term debt account group for the year ended June 30, 1999:

	June 30, 1998 Balance	Additions	Deletions	June 30, 1999 Balance
1994 Equipment Issue	$ 328,000	-	61,000	267,000
1995 Equipment Issue A	2,819,000	-	724,000	2,095,000
1995 Equipment Issue B	2,423,000	-	256,000	2,167,000
1996 Equipment Issue A	983,000	-	383,000	600,000
1996 Equipment Issue B	1,716,000	-	136,000	1,580,000
	$ 8,269,000	-	1,560,000	6,709,000

The annual requirement to amortize the equipment issues as of June 30, 1999 is as follows:

Maturity	Principal	Interest	Total
2000	$ 1,339,000	317,822	1,656,822
2001	771,000	250,648	1,021,648
2002	715,000	196,799	911,799
2003	602,000	159,848	761,848
2004	607,000	137,639	744,639
Thereafter to 2016	2,675,000	582,874	3,257,874
	$ 6,709,000	1,645,630	8,354,630

NOTE 11. OPERATING LEASES

The Authority is committed under various lease agreements for office space, copying equipment and a vehicle. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 1999 amounted to approximately $80,000. Future minimum lease payments for these leases are as follows:

Year Ending June 30	
2000	$ 79,236
2001	12,500
	$ 91,736

NOTE 12. RETIREMENT PLAN

The Authority had established its own retirement plan since it cannot participate through the Public Employees Retirement Act (PERA) multiple employer public retirement system. The Authority also does not participate in the Retiree Health Care Act. This retirement plan was organized under Section 408(k) of the Internal Service Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make a voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested and the Authority contributions will vest 100% to the employee after five years. The contributions are invested in various mutual funds. The Authority's contribution for this retirement plan was approximately $67,650 for the year ended June 30, 1999. Substantially all full time employees participate in this plan.

NOTE 13. BUDGETARY INFORMATION

The Authority budgets the operations program component of the internal service fund and the DWRLF. The following budgetary information is for the period ended June 30, 1999 (Non-GAAP Budgetary Basis):

Operations

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Administrative fees	$ 376,258	299,970	(76,288)
Primary care reimbursements	25,000	-	(25,000)
Interest income	-	23,958	23,958
Total revenues	401,258	323,928	(77,330)
Operating transfer in	382,328	383,341	1,013
Total revenues and transfer in	$ 783,586	707,269	(76,317)

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personal services	$ 372,627	374,570	(1,943)
Employee benefits	117,850	118,244	(394)
In-state travel	13,500	13,307	193
Maintenance and repairs	3,267	7,668	(4,401)
Office supplies	14,000	18,243	(4,243)
Contractual services	114,790	101,757	13,033
Operating costs	114,473	119,566	(5,093)
Out-of-state travel	11,400	3,157	8,243
Total current expenditures	761,907	756,512	5,395
Capital outlay	21,679	21,304	375
Total expenditures	$ 783,586	777,816	5,770

Reconciliation of budgetary basis to GAAP:	
Excess (deficiency) of revenues and other sources over expenditures	$ (70,547)
Less: Operating transfers out	(11,412)
Less: Depreciation	(16,351)
Less: Accrued compensated absences	(15,323)
Plus: Capital outlay capitalized	21,304
Net loss per schedule 2	$ (92,329)

NOTE 13. BUDGETARY INFORMATION (CONTINUED)

DWRLF

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Grant revenue	$ 319,160	3,304,414	2,985,254
Transfer in	-	11,183	11,183
Interest	-	108,975	108,975
Total revenues and transfer in	$ 319,160	3,424,572	3,105,412

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personal services	$ 95,614	68,966	26,648
Employee benefits	29,422	21,291	8,131
In-state travel	7,000	2,242	4,758
Maintenance and repairs	733	589	144
Office supplies	6,000	4,667	1,333
Contractual services	140,525	41,650	98,875
Operating costs	25,675	18,360	7,315
Out-of-state travel	4,900	3,642	1,258
Total current expenditures	309,869	161,407	148,462
Capital outlay	9,291	27,152	(17,861)
Operating transfer out	-	695,051	(695,051)
Total expenditures	$ 319,160	883,610	(564,450)

Reconciliation of budgetary basis to GAAP:	
Excess of revenues and other sources over expenditures	$ 2,540,962
Less: Depreciation	(20,977)
Plus: Capital outlay	27,153
Net income per statement C-2	$ 2,547,138

NOTE 14. FUND BALANCE/EQUITY (DEFICITS)

The fund balance deficits in the Court Automation Financing Fund, Workers' Compensation Financing Fund, and Administrative Fee Revenue Fund are caused by the transfer of bond proceeds to the respective other state agencies. The deficits will be eliminated as future pledged revenues are received by the Authority.

NOTE 15. CONTINGENCIES

The Authority is exposed to various risks of loss for which the Authority carries insurance (Auto; Employee Fidelity Bond; General Liability, Civil Rights; Property; and Worker's Compensation) with the State of New Mexico Risk Management Division and with private insurance companies.

The Authority is not subject to any legal proceedings, claims or liabilities at June 30, 1999.

NOTE 16. SUBSEQUENT EVENTS AND LOAN COMMITMENTS

Subsequent Events

After June 30, 1999, the Authority issued the following debt:

Administrative Fee Revenue Bonds (TRIMS Project) Series 1999A - On September 28, 1999 the Authority issued $16,269,000 of revenue bonds to finance a portion of an information management system to assist in tax collections and administration to be used by the New Mexico Taxation and Revenue Department (NMTRD). The principal of, and interest on the Series 1999A Bonds are payable solely from and secured solely by the Pledged Revenues from administrative fees payable to and withheld by NMTRD from collections of municipal and county local option gross receipts taxes and other administrative fees collected by the NMTRD based on various taxes and assessments. Principal repayments will be due through January 2007. Interest on the Series 1999A Bonds will be paid at the lesser of (a) a Weekly Rate or Long-Term Interest Rates as selected by the Authority and as determined in accordance with the Indenture and (b) the Maximum Rate (12 percent per annum), or, when a Letter of Credit secures the payment of the Series 1999A Bonds, such lower maximum rate as may be specified in the Letter of Credit.

NOTE 16. SUBSEQUENT EVENTS AND LOAN COMMITMENTS (CONTINUED)

Court Automation Fee Revenue Bonds Series 1999 - The Authority will issue revenue bonds in the amount of $3,500,000, to finance the costs of acquiring court automation systems for the Administrative Office of the Courts of the State of New Mexico. The Bonds are payable from and secured by a pledge of a portion of certain docketing fees imposed and collected by the courts in the State and certain costs collected in connection with motor vehicle and other violations. Principal repayments will be due through June 2006. The Bonds are scheduled to close November 2, 1999, and the interest rate on the Bonds will be determined at the time of closing.

After June 30,1999, the Authority issued following PPRF Direct Loans:

City of Carlsbad - On July 15, 1999, the Authority lent the City of Carlsbad $611,112 from the Public Projects Revolving Fund. The loan was for the purpose of purchasing solid waste processing equipment. The term of the loan is five years. The interest rate is 4.167 percent with principal payments due through May 2004.

Village of Questa - On July 26, 1999, the Authority lent the Village of Questa $120,978 from the Public Projects Revolving Fund. The loan was for the acquisition of a Class A pumper fire truck. The term of the loan is seven years. The interest rate is 1.779 percent with principal payments due through May 2006.

Torrance County Solid Waste Authority - On July 30, 1999, the Authority lent Torrance County $556,119 from the Public Projects Revolving Fund. The loan was for the purpose of construction of solid waste facilities for the region. The term of the loan is ten years. The interest rate is 4.381 percent with principal payments due through May 2009.

Sierra County-Caballo Fire Dept. - On August 3, 1999, the Authority lent Sierra County $109,388 from the Public Projects Revolving Fund. The loan was for the acquisition of a Class A fire pumper truck. The term of the loan is eleven years. The interest rate is 1.683 percent with principal payments due through May 2010.

Chaves County - On August 4, 1999, the Authority lent the County $1,816,667 from the Public Projects Revolving Fund. The loan was for the purpose of purchasing equipment for the purpose of maintaining, repairing or improving county roads and bridges. The term of the loan is five years. The interest rate is 4.424 percent with principal payments due through May 2004.

NOTE 16. SUBSEQUENT EVENTS AND LOAN COMMITMENTS (CONTINUED)

City of Portales - On August 26, 1999, the Authority lent the City $561,112 from the Public Projects Revolving Fund. The loan was for the purpose of acquisition and remodeling of a building for a recreation center. The term of the loan is twenty years. The interest rate is 5.233 percent with principal payments due through May 2019.

Colfax County-Ute Fire Dept. - On August 17, 1999, the Authority lent the County $82,052 from the Public Projects Revolving Fund. The loan was for the acquisition of a pumper fire truck. The term of the loan is ten years. The interest rate is 3.118 percent with principal payments due through May 2009.

Harding County-Fire District #1 - On August 23, 1999, the Authority lent the County $123,078 from the Public Projects Revolving Fund. The loan was for the acquisition of a Class A pumper fire truck. The term of the loan is eleven years. The interest rate is 3.677 percent with principal payments due through May 2010.

City of Elephant Butte - On August 30, 1999, the Authority lent the City $92,308 from the Public Projects Revolving Fund. The loan was for the acquisition of a fire truck. The term of the loan is seven years. The interest rate is 4.493 percent with principal payments due through May 2006.

City of Gallup - On September 2, 1999, the Authority lent the City $1,672,223 from the Public Projects Revolving Fund. The loan was for the acquisition, construction and equipping of a new water well. The term of the loan is twenty years. The interest rate is 5.19% with principal payments due through May 2019.

City of Gallup – On September 2, 1999, the Authority lent the City $488,889 from the Public Projects Revolving Fund. The loan was for the acquisition of two pumper fire trucks. The term of the loan is ten years. The interest rate is 4.648 percent with principal payments due through May 2010.

Dona Ana County – On September 7, 1999, the Authority lent the County $61,539 from the Public Projects Revolving Fund. The loan was for the construction of a building addition for the East Mesa Fire Substation. The term of the loan is six years. The interest rate is 3.00 percent with principal payments due through May 2005.

Village of Ruidoso Downs – On September 14, 1999, the Authority lent the Village $409,267 from the Public Projects Revolving Fund. The loan was for the acquisition of land and construction of a fire station for the Village. The term of the loan is twenty years. The interest rate is 3.005 percent with principal payments due through May 2019.

NOTE 16. SUBSEQUENT EVENTS AND LOAN COMMITMENTS (CONTINUED)

Lincoln County – On September 28, 1999, the Authority lent the County $47,710 from the Public Projects Revolving Fund. The loan was for the acquisition of a fire station for the White Oaks Volunteer Fire Department. The term of the loan is eleven years. The interest rate is 3.00 percent with principal payments due through May 2010.

Lincoln County – On September 28, 1999, the Authority lent the County $128,206 from the Public Projects Revolving Fund. The loan was for the acquisition of a fire station for the Bonito Volunteer Fire District. The term of the loan is eleven years. The interest rate is 3.775 percent with principal payments due through May 2010.

APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements are extracts, supplementing the information in the body of the Official Statement, of certain provisions of the Indenture. These extracts do not purport to be complete and reference is made to the Indenture for a full and complete statement of such provisions. See "ADDITIONAL INFORMATION."

The following are certain definitions contained in the Indenture and extracts of certain provisions contained in the General Indenture and is not to be considered as a full statement thereof. Reference is hereby made to the Indenture for full details of all of the terms of the Bonds, the security provisions appertaining thereto and the other terms thereof. During the offering period of the Series 2000A Bonds, copies of the Indenture will be available at the principal office of the Underwriters. Subsequent to the offering of the Series 2000A Bonds, copies of the Indenture may be obtained from the Trustee.

CERTAIN DEFINITIONS

"Account" or "Accounts" means one or more of the special trust accounts created and established pursuant to the Indenture.

"Act" means the New Mexico Finance Authority Act, being Sections 6-21-1 through 6-21-31, inclusive, NMSA 1978, as amended and as the same may hereafter be amended and supplemented.

"Additional Bonds" means any Bonds of the NMFA, including the Series 2000A Bonds, the Series 1999A-D Bonds, Series 1997 Bonds and the Series 1996 Bonds, authorized and issued under the Indenture, except for the Series 1995 Bonds.

"Additional Pledged Loans" means any additional loans or securities which (i) were made or purchased by the NMFA from amounts on deposit in the Public Project Revolving Fund and (ii) the payments of principal and interest on which have been specifically pledged by the NMFA to the payment of the Bonds and other amounts due under the Indenture. No such loans or securities shall be deemed to be Additional Pledged Loans unless the Trustee has received written notice from the NMFA that a specific loan or security will be included under the Indenture.

"Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Agreement" or "Agreements" means, as the case may be, one or more Loan Agreements, Grant Agreements or Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of a Project by the NMFA under the General Indenture.

"Agreement Pledged Revenues" means the pledged revenues designated by a Governmental Unit for payments to be made pursuant to the respective Loan Agreement, Security Documents or Securities.

"Agreement Reserve Fund" means the Agreement Reserve Fund established by the Indenture and each Agreement Reserve Account, if any, created by an Agreement therein.

"Agreement Reserve Requirement" for each Agreement establishing an Agreement Reserve Account, means the amount, if any, required by such Agreement to be allocated to an Agreement Reserve Account (relating to such Agreement) within the Agreement Reserve Fund.

"Approval of Bond Counsel" means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

CATEGORY OF LOANS AND ADDITIONAL PLEDGED LOANS	APPLICABLE PERCENTAGE
CATEGORY I LOANS AND ADDITIONAL PLEDGED LOANS	100%
CATEGORY II LOANS AND ADDITIONAL PLEDGED LOANS	80%
CATEGORY III LOANS AND ADDITIONAL PLEDGED LOANS	50%
CATEGORY IV LOANS AND ADDITIONAL PLEDGED LOANS	0%

"Authorized Denominations" with respect to the Series 2000A Bonds, $5,000 or any integral multiple thereof.

"Authorized Officer" means: (i) in the case of the NMFA, the Chair, any Vice Chair, Secretary, or Treasurer, and when used with reference to any act or document also means any other person authorized by resolution of the NMFA to perform such act or execute such documents; (ii) in the case of a

Governmental Unit, means the person or persons authorized by resolution or ordinance of the Governmental Unit to perform any act or execute any document; and (iii) in the case of the Trustee or the Paying Agent any person authorized to perform any act or sign any document by or pursuant to the bylaws or any resolution of the governing body of the Trustee or the Paying Agent, respectively.

"Bond Counsel" means nationally recognized bond counsel experienced in matters of municipal law, satisfactory to the Trustee and listed in the list of municipal bond attorneys, as published semiannually by The Bond Buyer, or any successor publication.

"Bond Fund" means the fund by that name established by the Indenture, to be held by the Trustee and used to pay amounts due on the Bonds.

"Bond Fund Year" means a twelve-month period ending on June 1 of each year.

"Bond Documents" means collectively, the Loan Agreements, the Grant Agreements, the Securities, the Security Documents, and the Indenture.

"Bond Registrar" or "Registrar" means the Trustee or any other registrar appointed under the Indenture.

"Bonds" means all Bonds issued under and secured by the Indenture.

"Business Day" shall mean any day, other than a day on which banks located in New York, New York or the cities in which the Principal Offices of the Trustee or the Paying Agent are located are required or authorized by law or executive order to close, or on which the New York Stock Exchange is closed.

"Cash Flow Statement" means an NMFA certificate (a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate:

(1) the amount of NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(2) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(3) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding;

and (b) showing that in each such Bond Fund Year, the aggregate of the amount set forth in clause (A) of the definition divided by 1.35, plus the aggregate amount set forth in clause (B) of the definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of the definition. For purposes of the foregoing definition the following assumptions shall apply:

(a) NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period in the 24 months next preceding the delivery of the Cash Flow Statement;

(b) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(c) Loans and Additional Pledged Loans will be assumed to remain in their then current category designations throughout the period projected in the Cash Flow Statement.

"Category I Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in at least the third highest full rating category or higher by the Rating Agency.

"Category II Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

"Category III Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are not designated or rated or are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Non-Performing Loans and Additional Pledged Loans and Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been fully replenished in accordance with the related Agreement.

"Code" means the Internal Revenue Code of 1986, as amended and the applicable regulations thereunder.

"Correctional Facility Tax" has the same meaning given such term in the Series 2000A Loan Agreement.

"County Gross Receipts Tax" has the same meaning given such term in the Series 2000A Loan Agreement.

"Covenant Default" has the meaning, if any, given in any Loan Agreement, Securities or Additional Pledged Loan.

"Debt Service Fund" means the fund by that name established by the Indenture to be held by the Trustee and each Account created therein.

"Funds and Accounts" means collectively, the Debt Service Fund and the Accounts created therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, and the Bond Fund.

"Governmental Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Governmental Units" means any "qualified entity" under the Act which has executed and delivered to the NMFA a Loan Agreement, Grant Agreement or Securities for the purpose of financing all or a portion of a Project.

"Grant Agreements" means a grant or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and does not require payments by the Governmental Unit to be made thereunder.

"Grants" means collectively, the Grants made pursuant to the Grant Agreements.

"Indenture" means the General Indenture of Trust and Pledge and all Supplemental Indentures thereto.

"Interest Component" means the portion of each Loan Payment representing interest on the related Loan.

"Interest Payment Date" shall, with respect to the Series 2000A Bonds, each June 1 and December 1, commencing June 1, 2000.

"Loan Agreement" means a loan or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and requires the Governmental Unit to repay the amounts advanced.

"Loan Payment" means the payments made by each Governmental Unit pursuant to the provisions of a Loan Agreement or Securities and which are to be used in accordance with the Indenture.

"Loan Payment Date" means the date specified in each Loan Agreement or Securities as the due date for Loan Payments.

"Loans" means collectively, the Loans made pursuant to the Loan Agreements and the Securities; excluding, however, all Additional Pledged Loans. Loans and Additional Pledged Loans may be evidenced by the same document containing two or more separate obligations.

"NMFA Portion of the Governmental Gross Receipts Tax" means an amount equal to 75% of the net receipts attributable to the governmental gross receipts tax levied pursuant to Section 7-9-4.3, NMSA 1978, as amended, and distributed to the NMFA pursuant to Section 7-1-6.38, NMSA 1978, as amended.

"Nonperforming Loans and Additional Pledged Loans" means Loan Agreements and Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a Covenant Default) or under which a delinquency exists in payments of principal or interest thereunder.

"Original Issue Date" means, with respect to the Series 2000A Bonds, January 1, 2000.

The terms "Outstanding" or "Bonds outstanding" mean all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(1) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(2) any Bond (or any portion thereof) (i) for the payment or redemption of which there shall be held in trust under the Indenture and set aside for such payment or redemption, moneys and/or Governmental Obligations (not callable at the option of the issuer thereof) maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Governmental Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or redemption price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any such Bond (or any portion thereof) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee; and

(3) Bonds deemed paid pursuant to the provisions of the Indenture; and

(4) Bonds in lieu of which others have been authenticated pursuant to the Indenture.

"Participants" means underwriters, securities brokers and dealers, banks and trust companies, clearing corporations and other persons from time to time for which DTC or any successor Securities Depository holds Series 2000A Bonds as Securities Depository.

"Paying Agent" means the Trustee or any successor or additional paying agent appointed pursuant to the Indenture.

"Permitted Investments" (i) with respect to the investment of the respective Accounts of the Program Fund, the Agreement Reserve Fund and the Debt Service Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund and the Rebate Fund or any other fund created under the Indenture, the following to the extent permitted by New Mexico law:

(a) Governmental Obligations;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Farmers Home Administration* (FmHA)
Certificates of Ownership;

ii) *Federal Housing Administration (FHA) Debentures;*

iii) *General Services Administration* Participation certificates;

iv) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations (participation certificates);

v) *U.S. Maritime Administration* Guaranteed Title XI financing;

vi) *U.S. Department of Housing and Urban Development* (HUD)
Project Notes
Local Authority Bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Federal Home Loan Bank System*
Senior debt obligations (Consolidated debt obligations);

ii) *Federal Home Loan Mortgage Corporation* (FHLMC or "Freddie Mac")
Participation Certificates (Mortgage-backed securities)
Senior debt obligations;

iii) *Federal National Mortgage Association* (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal);

iv) *Student Loan Market Association* (SLMA or "Sallie Mae") Senior debt obligations;

v) *Resolution Funding Corp.* (REFCORP) Only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book-entry form are acceptable;

vi) *Farm Credit System*
Consolidated systemwide bonds and notes;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's Ratings Group ("S&P") of "AAAm-G," "AAAm" or "AAm" or by Moody's Investors Service, Inc. ("Moody's) of "Aaa";

(e) Certificates of deposit ("CD") secured at all times by collateral described in (a) and/or (b) above. CD's must have a one-year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+"or better by S&P, and "Prime-1" or better by Moody's. The collateral must be held by a third party and the third party must have a perfected first security interest in the collateral:

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BID and SAIF;

(g) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P);

(h) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P) in one of the two highest long-term rating categories assigned by such agencies;

(i) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1+" by S&P;

(j) Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date; provided, however, that the repurchase agreement must satisfy certain criteria articulated in writing to the NMFA by the Rating Agency;

(k) Investment contracts with providers the long term, unsecured debt organization of which are rated at least "A" by the Rating Agency; and

(l) deposits with the Treasurer of the State for investment in obligations described above.

"Prepayment" means the amount paid by a Governmental Unit pursuant to the provisions of its Loan Agreement or Securities as a prepayment of all or a portion of the principal balance due under its Loan Agreement or a prepayment of the principal amount of the Securities.

"Principal Component" means the portion of each Loan Payment representing principal on the related Loan.

"Program" means the NMFA's public project revolving fund program.

"Program Costs" means the fees and expenses payable to the Trustee, any Paying Agent and the NMFA.

"Program Fund" means the fund by that name which is created and established by the Indenture.

"Projects" means, collectively, the projects (i) authorized by the Legislature for financing by the NMFA from the Public Project Revolving Fund (to the extent required by law) and (ii) described in a Supplemental Indenture and a Loan Agreement, Grant Agreement or Securities.

"Public Project Revolving Fund" means the public project revolving fund established pursuant to the Act.

"Rating Agency" means Moody's Investor's Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

"Rebate Calculation Date" means, with respect to each Series of Bonds, the interest payment date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the Initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last bond for such Series.

"Rebate Fund" means the Fund so designated, which is created and established by the Indenture.

"Rebate Requirement" means the amount of arbitrage profits earned from the investment of gross proceeds of the Bonds in nonpurpose investments described in Section 148(f)(2) of the Code and defined as "Rebate Amount" in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 2000A Bonds maintained by the Registrar.

"Regular Record Date" means the fifteenth (15th) day immediately preceding each Interest Payment Date (or the Business Day immediately preceding such fifteenth (15th) day, if such fifteenth (15th) day is not a Business Day).

"Registered Owner" or "Bondowner" or "Owner" or "Bondholder" or "holder" means the person or persons in whose name or names a Bond shall be registered on the books of the Trustee kept for that purpose in accordance with provisions of the Indenture.

"Revenue Fund" means the Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund so designated, which is created and established by the Indenture to be held by the Trustee.

"Revenues" means (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund).

"Securities" means the securities purchased or acquired by the NMFA in consideration for a Loan made pursuant to the Indenture.

"Security Documents" means the intercept agreements or other security documents delivered by Governmental Units to provide additional security for a Loan Agreement or Securities.

"Series 1995 Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1995A, in an initial aggregate principal amount of $41,230,000 and the Public Project Revolving Fund Revenue Bonds, Taxable Series 1995B, in an initial aggregate principal amount of $4,000,000.

"Series 1996 Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1996A, in an initial aggregate principal amount of $17,625,000 and the Public Project Revolving Fund Revenue Bonds Taxable Series 1996B, in an initial aggregate principal amount of $3,500,000.

"Series 1997 Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1997, in an initial principal amount of $8,585,000.

"Series 1999A-D Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1999A, in an initial aggregate principal amount of $13,135,000, the Public Project Revolving Fund Revenue Bonds, Series 1999B, in an initial aggregate principal amount of $3,025,000, the Public Project Revolving Fund Revenue Bonds, Taxable Series 1999C, in an initial aggregate principal amount of $2,265,000 and the Public Project Revolving Fund Revenue Bonds, Taxable Series 1999D in an initial aggregate principal amount of $4,875,000.

"Series 2000A Bond Insurance Policy" means, with respect to the Series 2000A Bonds, the municipal bond insurance policy issued by the Series 2000A Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2000A Bonds.

"Series 2000A Bond Insurer" means, with respect to the Series 2000A Bonds, MBIA Insurance Corporation, or any successor thereto.

"Series 2000A Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2000A, in an initial aggregate principal amount of $4,715,000.

"Series 2000A Correctional Facility Tax Account" means the Series 2000A Correctional Facility Tax Account in the Series 2000A Tax Revenue Fund established pursuant to the Twenty-First Supplemental Indenture.

"Series 2000A Correctional Facility Tax Redemption Fund" means the Series 2000A Correctional Facility Tax Redemption Fund established pursuant to the Twenty-First Supplemental Indenture.

"Series 2000A County Gross Receipts Tax Account" means the Series 2000A County Gross Receipts Tax Account in the Series 2000A Tax Revenue Fund established pursuant to the Twenty-First Supplemental Indenture.

"Series 2000A Tax Revenue Fund" means the Series 2000A Tax Revenue Fund established pursuant to the Twenty-First Supplemental Indenture.

"Special Record Date" means a special record date established pursuant to the Indenture.

"State" means the State of New Mexico.

"Supplemental Indenture" means any supplemental indenture approved by the NMFA in accordance with the Indenture amending or supplementing the Indenture or any Supplemental Indenture.

"Trust Estate" means the property held in trust by the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means First Security Bank of New Mexico, N.A., Albuquerque, New Mexico and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee hereunder.

THE INDENTURE

Registration and Exchange of Bonds

Books for the registration and for the transfer of the Bonds shall be kept by the Trustee which is appointed the Bond Registrar with respect to the Bonds. Any Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any fully registered Bond at the principal office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing and satisfactory to the Trustee, the NMFA shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new, fully registered Bond or Bonds for a like aggregate principal amount. Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series and the same maturity. The execution by the NMFA of any Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Bond. The NMFA and the Trustee shall not be required to transfer or exchange any Bond of a particular Series (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds of a particular Series for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The NMFA, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered on the registration books kept by the Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the NMFA, nor the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond shall be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In each case the Trustee shall require the payment by the Registered Owner requesting exchange or transfer, only of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Nonpresentment of Bonds

In the event that any Bond shall not be presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond shall have been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the NMFA to the holder thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability to the holders of such Bonds for interest thereon, for the benefit of the holder of such Bond who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Moneys so deposited with the Trustee which remain unclaimed four (4) years after the date payment thereof becomes due shall, to the extent authorized by applicable law, at the request of the NMFA and if the NMFA is not at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture and if to the knowledge of the Trustee there has been no Event of Default, be repaid to the NMFA and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the NMFA; provided that the Trustee, before making payment to the NMFA, may cause a notice to be given to the Owners of the Bonds at their registered addresses, stating that the moneys remaining unclaimed will be returned to the NMFA after a specified date. Upon payment of such amounts to the NMFA by the Trustee, the NMFA shall deal with such money as required by applicable law.

Covenants of the NMFA

The NMFA will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or Supplemental Indenture or in any Bond, including the following covenants and agreements:

Covenant Against Creating or Permitting Liens. Except for the pledge of the Trust Estate to secure payment of the Bonds, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that (i) nothing contained in the Indenture shall prevent the NMFA from issuing, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinated to that of the Bonds and (ii) Revenues constituting NMFA Portion of the Governmental Gross Receipts Tax and payments of Additional Pledged Loans not needed for payments hereunder in any Bond Year may be released to the NMFA free and clear of the lien as provided in the Indenture.

Existence; Compliance with Laws. The NMFA shall take no action to discontinue maintenance of its existence nor to impair its rights, powers, privileges, and franchises, and shall comply will all valid and applicable laws, acts, rules, regulations, permits, orders, requirements, and directions of any legislative, executive, administrative, or judicial body which may relate to the execution and delivery of the Bonds and the performance of the NMFA's obligations hereunder.

No Transfer of Loan Agreements, Grant Agreements, Security Documents and Securities; Exceptions; Further Assurance. The NMFA and the Trustee shall not transfer any of the Loan Agreements, Grant Agreements, Security Documents and Securities except as specifically authorized in the Indenture in furtherance of the security for the Bonds; provided that, (i) once the Governmental Unit has repaid all amounts, if any, owing under its Loan Agreement, Grant Agreement, Securities, or Additional Pledge Loan and complied with the other provisions thereof, the NMFA and the Trustee may release such Agreement or Additional Pledge Loan and any Security Documents from the pledge created under the Indenture; and (ii) the NMFA may direct the release of any Agreement or Additional Pledged Loan from the lien and pledge of the Trust Estate under the Indenture upon the delivery to the Trustee of a Cash Flow Statement reflecting such release. Except to the extent otherwise provided in the Indenture, the NMFA shall not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners may be impaired and shall, from time to time, execute and deliver such further instruments and shall take such further action as may be required to carry out the purposes of the Indenture.

Financing Statements. The NMFA and the Trustee shall cause the Indenture to be filed as a financing statement with the Secretary of State of the State, in such manner and at such places as may be required by law fully to protect the security interest of the Owners of the Bonds and the right, title, and interest of the Trustee in and to the Trust Estate. From time to time, the Trustee may, but shall not be required to, obtain an opinion of counsel setting forth what, if any, actions by the NMFA or Trustee should be taken to preserve such security. The NMFA shall execute or cause to be executed any and all further instruments as shall reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and shall furnish satisfactory evidence to the Trustee that such actions have been taken and shall take such other action as is necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds executed and delivered under the Indenture shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel may be necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds shall have been paid.

Rights Under Loan Agreements, Grant Agreements, Security Documents and Securities. The Loan Agreements, Grant Agreements, Security Documents and Securities set forth the covenants and obligations of the Governmental Units, including provisions that, subsequent to the issuance of a Series of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions of the Indenture, the Loan Agreements, Grant Agreements, Security Documents and Securities may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Trustee in accordance with the Indenture, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Governmental Units thereunder.

Bonds to be Tax-Exempt Obligations. The NMFA covenants and agrees to and for the benefit of the Owners that the NMFA (i) will not take any action that would cause interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the exemption from federal income taxation of interest on the Bonds. The provisions of this paragraph shall not apply to Bonds designated in the related Supplemental Indenture as bearing or accruing interest intended to be subject to Federal income taxation.

State Pledge of Non-Impairment. The State has pledged to and agreed with the Bondholders (as an obligation issued under the Act) that the State will not limit or alter the rights vested in the NMFA under the Act to fulfill the terms of the Indenture with the Bondholders or in any way impair the rights and remedies of those holders until the Bonds together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of those holders, are fully met and discharged.

Deposit and Advance of Funds.

The NMFA and the Trustee shall deposit the proceeds of the Bonds to the Accounts created under the Indenture and shall make the advances of funds thereunder to fund the Program and the NMFA shall enter into the Loan Agreements and Grant Agreements with the Governmental Units and purchase and receive the Securities and Security Documents from the Governmental Units on the terms and conditions and upon submission of the documents as provided in the Indenture.

The following restrictions shall apply to financings made by the NMFA under the Indenture

(a) The aggregate principal amount of each Loan Agreement, Grant Agreement and Security shall be in whole multiples of Authorized Denomination.

(b) Without the Approval of Bond Counsel, (i) no advance from the Program Fund shall be made or used to reimburse a Governmental Unit for amounts spent from such Governmental Unit's own funds prior to the date the Governmental Unit executed and delivered the Loan Agreement, Grant Agreement or Securities under the Program, and (ii) no Program Fund moneys shall be disbursed to refund or advance refund any obligations issued on behalf of a Governmental Unit.

(c) Each Agreement shall require that the final disbursement of moneys from the Governmental Unit's Account within the Program Fund to a Governmental Unit shall be made no later than the date which is three years after the execution and delivery of the Agreement, unless the NMFA and the Trustee have received the Approval of Bond Counsel for a later date.

(d) Each Governmental Unit shall agree not to take or permit any action which would cause the respective Agreement or the related Series of Bonds to be "arbitrage bonds" under Sections 103 and 148 of the Code.

(e) Without an Approval of Bond Counsel, no amounts disbursed from the Program Fund may be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit" within the meaning of Section 141(b)(6) of the Code.

(f) Amounts disbursed from each Governmental Units' Account within the Program Fund shall be used to finance the costs of the related Project and related expenditures on behalf of the Governmental Unit.

(g) Each Governmental Unit shall agree to pay the Rebatable Arbitrage relating to its Accounts in the Program Fund, the Agreement Reserve Fund and the Debt Service Fund.

(h) At the time of execution and delivery of each Agreement the related Governmental Unit shall execute and deliver a certificate to the effect that the Governmental Unit (i) will not take any action that would cause the interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Agreement in order to preserve the exemption from federal income taxation of the interest on the Bonds.

The provisions of Subsections (b), (c), (d), (e), (g) and (h) shall not apply to Agreements financed with proceeds of Bonds designated as intended to bear interest subject to Federal income taxes.

Loan Agreement and Securities - Loan Payments.

The Loan Payments shall be governed by the following provisions:

(a) Principal, Program Costs and Interest Components. A portion of each Loan Payment is paid as, and represents payment of, interest (the "Interest Component") on the related Loan and payment of a Program Cost component relating to each loan (the "Program Cost Component") and the balance of each Loan Payment is paid as, and represents payment of, principal (the "Principal Component") on the related Loan, all as set forth in the related Loan Agreement or Securities. Amounts due as the Principal, Program Costs, and Interest Components of Loan Payments due under each Loan Agreement or Securities shall be paid on each Loan Payment Date. The Interest Component of Loan Payments for each Loan Agreement shall be the amount of interest based on a 360 day year comprised of twelve 30-day months, unless otherwise specified in the related Supplemental Indenture. The Program Cost Component may be included in the interest rate borne by a Loan.

(b) Loan Agreement and Securities Term. The "Term" of a Loan Agreement or Securities shall be defined in the Loan Agreement or Securities. The Term shall not exceed the useful life of the Project financed pursuant to the related Loan Agreement or Securities.

(c) Agreement Payment. Each Loan Agreement and Securities shall provide that the related Governmental Unit shall pay Loan Payments directly to the Trustee. In the case of Securities, the Securities shall be registered in the name of the Trustee or properly assigned to the Trustee on the books of any registrar for such Securities or if in bearer form delivered to and held by the Trustee.

(d) Prepayments. The Loan Agreements and Securities may contain a provision permitting the Governmental Unit to prepay the Principal Component of Loan Payments, in accordance with the provisions of the Loan Agreement and Securities by payment of Prepayments in whole on any date or in part on any Interest Payment Date, at any time when the related Series of Bonds are or are about to become subject to optional redemption upon not less than forty-five (45) days' prior written notice to the Trustee and subject to any other conditions set forth in the related Supplemental Indenture, Loan Agreement or Securities. Partial prepayments of the Principal Component of Loan Payments shall be made in multiples of the minimum Authorized Denomination. Each Prepayment shall include interest to the date upon which the Trustee has scheduled a related redemption of Bonds as provided in the related Supplemental Indenture.

(e) Use of Reserve at Final Payment. At the time of payment in full of each Loan Agreement or Securities, the applicable Agreement Reserve Account in the Agreement Reserve Fund shall be applied toward the final payment of amounts due under the related Loan Agreement or Securities.

Establishment of Funds and Accounts

There is established in the Indenture with the Trustee the following funds and accounts within funds, each of which shall be held, for the term of the Indenture, in Accounts segregated from all other moneys of the Trustee or the NMFA.

(a) a Program Fund and within such fund a separate Account for each Agreement;

(b) a Debt Service Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

(d) an Agreement Reserve Fund and within such fund, a separate Account for each Agreement which contemplates the establishment of an Agreement Reserve Account;

(e) an Expense Fund;

(f) a Rebate Fund and within such fund a separate Account for each Agreement; and

(g) a Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund (herein the "Revenue Fund") established as an account of the Public Project Revolving Fund.

In addition to the foregoing, with respect to Additional Pledged Loans the Trustee may, as directed in a Supplemental Indenture, establish subaccounts within the Program Fund, the Agreement Reserve Fund or the Debt Service Fund for such Additional Pledged Loans.

Flow of Funds

All Funds shall be accounted for and maintained by the NMFA in the Funds and Accounts established in the Indenture. Each Fund and Account shall be kept separate and apart from all other Funds and Accounts of the NMFA. The Funds shall be expended and used by the NMFA only in the manner of order and priority specified below:

Program Fund.

(a) Upon the issuance of a Series of Bonds the Trustee shall deposit the amount specified in the related Supplemental Indenture in the Program Fund and shall allocate such amount to the respective Accounts within the Program Fund as provided in each Agreement. Disbursements from each Account within the Program Fund shall be made as provided below and may be made in stages.

(b) Disbursements from each Account within the Program Fund with respect to an Agreement with a Governmental Unit shall (except for amounts to be used for capitalized interest on the Loan and as may be directed in a Supplemental Indenture with respect to Grants) only be made upon the delivery to the Trustee of a requisition substantially in the form attached to each Agreement signed by an Authorized Officer of the Governmental Unit, as applicable: (1) stating the name and address of the payee, the amount to be paid and the purpose of the payment; (2) certifying that the amount to be paid is for costs of the Project and is due and payable, has not been the subject of any previous requisition and is a proper charge against the Account within the Program Fund pursuant to this Paragraph (b); (3) certifying that all representations contained in the Agreement and the related documents remain true and correct and that the Governmental Unit is not in breach of any of the covenants contained therein; and (4) in the case of the final requisition, certifying that payment of costs of the Project is complete or that the Governmental Unit shall, and understands its obligation to, complete the acquisition or construction of the Project from other legally available funds.

(c) Without an Approval of Bond Counsel and except with respect to Agreements relating to Bonds designated in the related Supplemental Indenture as bearing or accruing interest subject to federal income taxation, no disbursement shall be made from the Governmental Unit's Account in the Program Fund:

(i) to reimburse the Governmental Unit's own funds for expenditures made prior to the date on which the governing body of the Governmental Unit executed and delivered the Agreement,

(ii) to refund or advance refund any obligations issued by or on behalf of the Governmental Unit, or

(iii) to be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit," within the meaning of Section 141(b)(6) of the Code.

(d) Moneys in the Governmental Unit's Account in the Program Fund following the payment of amounts due for the costs of the Project may be transferred to such Governmental Unit's Account in the Debt Service Fund for application to the payment of the principal of and interest on the Loan or the Prepayment of the Principal Component of the Loan Agreement or Securities and a related redemption of Bonds, as provided in the related Supplemental Indenture.

(e) The Trustee shall keep the Program Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

(f) Investment earnings on amounts held in each Account of the Program Fund shall be retained in such Account of the Program Fund and used as provided herein as other amounts on deposit therein or to be deposited to the Rebate Account.

(g) Moneys deposited in the Program Fund for the payment of capitalized interest on the Loan may be disbursed by the Trustee to the appropriate account in the Debt Service Fund to pay interest on the related Loan during construction of the related Project.

(h) If directed in the related Supplemental Indenture, amounts to be used to fund Grants may, in lieu of deposit to the Program Fund, be disbursed to the Governmental Unit upon the issuance of the related Series of Bonds.

(i) Proceeds of Additional Pledged Loans deposited to a separate subaccount of the Governmental Units Account within the Program Fund shall be accounted for and used as described above with respect to proceeds of Bonds; provided that the provisions of paragraph (c) above shall not apply to such amounts.

Application of Loan Payments.

The flow of funds is discussed in the forepart of this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS -- Flow of Funds".

All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), shall be deposited at least once each year in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Agreement provided, however, that all earnings received on the Governmental Unit's Accounts shall be allocated solely to the benefit of such Governmental Unit. The Trustee shall notify the Governmental Unit at least fifteen (15) days prior to the due date of its next payment of Loan Payments of the amount of earnings so allocated.

In the event that the Trustee receives Prepayments under a Loan Agreement or Securities, the Trustee shall apply such Prepayments to the optional redemption of the Bonds or portions thereof in accordance with the related Supplemental Indenture.

At least once each year the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided, however, that with respect to the Series 2000A Loan Agreement, any excess shall be disbursed as described in the forepart of this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Flow of Funds–Loan Payments by the County"; provided further, however, that with respect to Loans relating to the Series 1997 Bonds and the Series 1999A-D Bonds, any such excess shall be disbursed as follows:

(a) Any excess attributable to earnings on funds and accounts for the Governmental Unit shall be returned to the Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; and

(b) Any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the Series 1997 Bonds or the Series 1999A-D Bonds, as applicable, shall be deposited into the Revenue Fund.

Amounts on deposit in the respective Account of the Agreement Reserve Fund in excess of the related Agreement Reserve Account Requirement shall be transferred at least annually to the related Account of the Debt Service Fund and credited against payments next coming due under such Loan Agreement or Securities.

Amounts on deposit in the respective Account of the Agreement Reserve Fund shall be applied toward the final payment of amounts falling due under the related Loan Agreement or Securities.

As provided in an Agreement, a Governmental Unit may (i) fund an Account in the Agreement Reserve Fund over time from deposits made by or on behalf of the Governmental Unit or (ii) may use any reserve fund surety or similar investments in lieu of a cash deposit to the Agreement Reserve Fund.

Amounts on deposit in each Agreement Reserve Account, if any, secure only the payments to be made under the related Agreement and may not be applied toward payments under any other Agreement or toward payment of the Bonds, except to the extent that amounts are due and owing under the related Agreement and amounts are not otherwise available for such payments in the related Account of the Debt Service Fund.

All moneys held by the Trustee in the Bond Fund shall be applied in accordance with the Indenture to pay the principal or redemption price of Bonds as they mature or become due, upon surrender thereof, and the interest on Bonds as it becomes payable. There shall be deposited into the Bond Fund all accrued interest received, if any, at the time of the execution, sale and delivery of the Bonds. Amounts remaining on deposit in the Bond Fund at the end of each Bond Fund Year and after payment of all amounts due on the Bonds for such Bond Fund Year shall be transferred to the Revenue Fund.

Investment of Moneys

Any moneys held as part of a Governmental Unit's Account in any of the Funds established under the Indenture shall be invested and reinvested by the Trustee at the direction of the related Governmental Unit in Permitted Investments in accordance with the following provisions.

Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in the related Debt Service Account is insufficient to pay the principal of and premium, if any, and interest on the related Loan Agreement or Securities when due. In the absence of an appropriate direction from a Governmental Unit as to investment of funds, the Trustee shall invest and reinvest such amounts in a daily money market fund which invests only in United States Government Obligations.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund or the Bond Fund shall be invested and reinvested by the Trustee at the direction of the NMFA only in Permitted Investments in accordance with the Indenture. Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of the investments on deposit in the Bond Fund whenever the cash balance in the Bond Fund is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due.

All such investments shall at all times be a part of the account or fund from where the money used to acquire such investments was deposited and all gains thereon shall be credited to, and losses thereon shall be charged against, such accounts or funds except as expressly provided to the contrary in the Indenture.

All investments shall mature, or be subject to repurchase, withdrawal without penalty, or redemption at the option of the owner on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes hereof.

The principal of the investments and the interest, income, and profits received in respect thereof shall be applied as follows:

(i) all interest, income, and profits received in respect of the investment of the amounts on deposit in a Governmental Unit's Account in any of the Funds established under the Indenture shall (after deduction of any losses) be retained in the applicable Governmental Unit's Account from which the investment was derived (except as otherwise required with respect to the Agreement Reserve Fund and deposits to be made to the Rebate Fund); and

(ii) all interest, income, and profits received in respect of the investment of the amounts on deposit in the Revenue Fund, the Rebate Fund or the Bond Fund shall (after deduction of any losses) be retained in such Fund; and

(iii) whenever any other transfer or payment is required to be made from any particular Fund or Account, such transfer or payment shall be made from such combination of maturing principal, redemption, or repurchase prices, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any permitted investments to be redeemed, withdrawn, or sold, and any penalties, gains, or losses to be realized upon any such redemption, withdrawal, or sale.

The Trustee shall not be accountable for any depreciation in the value of the Permitted Investments or any losses incurred upon any authorized disposition thereof.

Method and Frequency of Valuation. In computing the amount in any fund or account, Permitted Investments shall be valued at least annually at cost, including commissions and accrued interest but excluding interest accrued following acquisition.

Defeasance

When there shall have been paid, or there shall be provisions for payment made to or for the holders and Owners of the Bonds, the principal of and premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein, and if there shall have been paid to the Trustee and any paying agents all sums of money due or to become due according to the provisions of the Indenture, then the presents and the estate and rights granted by the Indenture shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture and on demand of the NMFA shall execute such documents to evidence such release as shall be reasonably required by the NMFA and shall turn over to the NMFA all balances held by the Trustee under the Indenture (other than amounts required for return to the Governmental Units as provided in the Indenture).

Any Bond shall be deemed to be paid within the meaning of and for all purposes of the Indenture when (a) payment of the principal of and the applicable premium, if any, on such Bond, whether at maturity or prior redemption plus interest thereon to the due date thereof, either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent shall have irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, and/or (2) noncallable Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or noncallable Governmental Obligations.

All moneys so deposited with the Trustee (or other escrow agent) as provided in the defeasance provisions of the Indenture may at the direction of the NMFA also be invested and reinvested in noncallable Governmental Obligations, maturing in the amounts and at times as hereinbefore set forth, and all income from all noncallable Governmental Obligations in the hands of the Trustee which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Revenue Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

All moneys or noncallable Governmental Obligations set aside and held in trust pursuant to the defeasance provisions of the Indenture for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and noncallable Governmental Obligations have been so set aside in trust.

Neither the obligations nor the moneys deposited with the Trustee (or other escrow agent) pursuant to the defeasance provisions of the Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal or redemption price of, and interest on, the Bonds or portions thereof.

Whenever moneys or obligations shall be deposited with the Trustee (or other escrow agent) for the payment or redemption of any Bonds more than sixty (60) days prior to the date that such Bonds are to mature or be redeemed, the Trustee shall mail a notice stating that such moneys or obligations have been deposited and identifying the Bonds for the payment of which such moneys or obligations are being held, to all Owners of Bonds for the payment of which such moneys or obligations are being held.

No such deposit under the defeasance provisions of the Indenture shall be made or accepted under the Indenture and no use made of any such deposit unless the Trustee shall have received an Approval of Bond

Counsel to the effect that such deposit and use would not cause the Bonds to be treated as arbitrage bonds within the meaning of Sections 148 of the Code.

If moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to the defeasance provisions of the Indenture for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture shall be made without the consent of the Registered Owner of each Bond affected thereby.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on any Series of Bonds shall be paid by a bond insurer with respect to such Series of Bonds pursuant to a municipal bond insurance policy, the Bonds of such Series shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the NMFA, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the NMFA to the Registered Owners of such Series of Bonds shall continue to exist and shall run to the benefit of such bond insurer, and such bond insurer shall be subrogated to the rights of such Registered Owners of such Series of Bonds.

Default Provisions and Remedies of the Trustee and Owners

Events of Default Defined. Each of the following events is an "Event of Default" under the Indenture:

(a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable; or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund hereunder or otherwise; or

(c) if the NMFA shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the NMFA, appointing a receiver or custodian for any of the Revenues of the NMFA, or approving a petition filed against the NMFA seeking reorganization of the NMFA under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the NMFA shall not be vacated or discharged or stayed on appeal within 30 days after the entry thereof; or

(e) if any proceeding shall be instituted, with the consent or acquiescence of the NMFA, for the purpose of effecting a composition between the NMFA and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or

(f) if (i) the NMFA is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the NMFA, a receiver, trustee or custodian of the NMFA or of the whole or any part of their property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the NMFA shall file a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the NMFA or of the whole or any substantial part of the property of the NMFA, and such custody or control shall not be terminated within 30 days from the date of assumption of such custody or control; or

(i) if the NMFA shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or the Indenture or any Supplemental Indenture on the part of the NMFA to be performed, other than as set forth above in this section and such Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the NMFA by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Remedies of the Trustee. If an Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name:

(a) by mandamus or other action or proceeding or suit at law or in equity enforce the rights of the Owners of the Bonds under the Indenture, including enforcing any rights under the Agreements and Security Documents and the provisions of the Indenture for the benefit of the Owners of the Bonds against the NMFA and any related Governmental Unit, and compel the NMFA and any related Governmental Unit, to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained in the Indenture or in any Agreement (including the appointment of a receiver); or

(b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) intervene in judicial proceedings that affect the Bonds, the Agreements or the security therefor; or

(d) exercise any or all remedies permitted under the Agreements or Security Documents; or

(e) cause the NMFA or any related Governmental Unit to account as if it were the trustee of an express trust for all of the Revenues or Agreement Pledged Revenues, pledged under the Indenture or pursuant to the Agreements and any Security Documents.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any subsequent default or breach of duty or contract. No delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Owners, the Trustee, the Owners, the NMFA, and the Governmental Units shall be restored to the former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be extended without exhausting and without regard to any other remedy conferred by any law.

No Liability by the Governmental Units to the Owners. Except for the payment when due of the Loan Payments and the performance of the other agreements and covenants required to be performed by it contained in the Agreements and Security Documents, the Governmental Units will not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Loan Payments, by the Trustee, or with respect to the performance by the NMFA of any right or obligation required to be performed by it contained in the Indenture or for the performance by any other Governmental Unit of such other Governmental Unit's obligations under an Agreement or Security Documents.

Limitation of Owners' Right to Bring Suit. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, for the appointment of a receiver or trustee or for any other remedy, at law or in equity, unless;

(a) such Owner has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Owners of not less than a majority of the aggregate principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee;

(c) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

It being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of the Indenture or the rights of any other Owners or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all Bond Owners. Notwithstanding the foregoing, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of interest on such Bond when due in accordance with the terms of the Bonds and the Indenture and the principal of such Bond at the stated maturity of the Bonds and to institute suit for the enforcement of any such payment in accordance with the provisions of the Indenture and such rights shall not be impaired without the consent of such Owner.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding hereunder shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee, provided that such direction shall not be in conflict with any rule of law or with the Indenture or unduly prejudice the rights of minority Owners of Bonds.

Application of Funds Upon Default. All moneys received by the Trustee or by any receiver pursuant to any right given or action taken under the default provisions of the Indenture or under the provisions of the related Agreements, shall, after payment of the reasonable costs and fees of, and the reasonable expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited during the continuance of an Event of Default (other than moneys deposited to the Bond Fund for the payment of Bonds which have previously matured or otherwise become payable prior to such Event of Default), together with all moneys in the Funds maintained by the Trustee under the Indenture, shall be applied as follows;

Unless the principal of all Bonds shall have become due and payable, all such moneys shall be applied, as follows:

First: To the payment to the persons or entity entitled thereto of all installments of interest then due on the Bonds, in the order of maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the persons or entity entitled thereto without any discrimination or privilege;

Second: To the payment to the persons or entity entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for prepayment for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on such Bonds at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons or entities entitled thereto without any discrimination or privilege;

Third: To be held for the payment to the persons entitled thereto as the same shall become due of the principal of, the premium, if any, and interest on the Bonds which may thereafter become due at maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

If the principal of all the Bonds shall have become due all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with the interest on overdue principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bonds over any other certificates, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such moneys it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any suchdate and of the Special Record Date in accordance with the Indenture. The Trustee shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate principal amount of all the Bonds then outstanding in respect of which Default in the payment of principal and interest exist, or (b) a majority in aggregate principal amount of the Bonds then Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any Event of Default in the payment of the principal of any Bonds at the date of maturity specified therein, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee and the Registered Owners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Owners. The NMFA and the Trustee may, without consent of, or notice to, any of the Owners enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(i) To provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;

(j) To cure any ambiguity or formal defect or omission in the Indenture;

(k) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee;

(l) To subject to the Indenture additional revenues, properties or collateral;

(m) To evidence the appointment of a separate Trustee or paying agent or the succession of a new Trustee or paying agent under the Indenture;

(n) To make any other change which in the judgement of the Trustee is not materially adverse to the interests of the Trustee or any of the Owners;

(o) To make any amendments with the prior written confirmation from the Rating Agency that such amendments will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment; and

(p) To add additional covenants of the NMFA or any Governmental Unit or to surrender any right or power conferred upon the NMFA in the Indenture or any Governmental Unit or to grant additional powers or rights to the Trustee.

Supplemental Indentures Requiring Consent of Owners. Exclusive of supplemental indentures covered by the foregoing section and subject to the following terms and provisions and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the NMFA and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the NMFA for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in this section or in the foregoing section shall permit, or be construed as permitting, (i) an extension of the maturity of the principal of, or the interest on, any Bond, or (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures, or (v) permit the creation of any lien ranking prior to the lien of the Indenture on the Trust Estate or any part thereof, or (vi) deprive the Owner of any Bond then outstanding of the lien created by the Indenture on the Trust Estate without the prior consent of 100% of the holders of the Bonds affected by such supplemental indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which adversely affects the Trustee's rights, duties or immunities under the Indenture or the Agreements.

If at any time the NMFA shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given by registered or certified mail to the owner of each Bond shown by the list of Owners kept at the office of the Trustee. Such notices shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Owners. If, within one hundred twenty (120) days or such longer period as the holders of not less than a majority in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Governmental Units from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Amendment of Agreements and Security Documents.

(a) The NMFA shall have the right to amend an Agreement and any existing Security Documents with the Consent of the Trustee and the related Governmental Unit without Bond Owners' consent, for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred upon the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in the Indenture or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgement of the Trustee shall not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

(b) If the NMFA or a Governmental Unit propose to amend an Agreement or related Security Documents in a manner not contemplated by (a) above the Trustee shall notify the Owners of the Bonds of the proposed amendment and may consent thereto with the consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding.

Fees, Charges and Expenses of the Trustee

Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond for the Trustee's advances, fees, costs and expenses incurred.

Provisions With Respect to Series 2000A Bond Insurance Policy

Amendments. The NMFA will provide to the Series 2000A Bond Insurer notice of any supplemental indentures entered into as described under the caption "Supplemental Indentures Not Requiring Consent of Owners" herein. The NMFA must obtain the Series 2000A Bond Insurer's consent prior to the execution of any supplemental indentures entered into as described under the caption "Supplemental Indentures Requiring Consent of Owners" herein.

Defaults. The Series 2000A Bond Insurer, acting alone, shall have the right to direct all remedies with respect to the Series 2000A Bonds upon an Event of Default. The Series 2000A Bond Insurer shall be recognized as the registered owner of each 2000A Bond which it insures for the purposes of exercising all rights and privileges available to bondholders of Series 2000A Bonds. For Series 2000A Bonds which it insures, the Series 2000A Bond Insurer shall have the right to institute any suit, action, or proceeding at law or in equity under the same terms as a bondholder of a Series 2000A Bond in accordance with applicable provisions of the governing documents. Other than the usual redemption provisions, any acceleration of principal payments must be subject to the Series 2000A Bond Insurer's prior written consent.

(This Page Intentionally Left Blank)

APPENDIX C

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE

The following economic and demographic information is furnished for information only. The Bonds do not constitute a general obligation of the State and are special obligations of NMFA payable solely from the Trust Estate. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Generally

The State of New Mexico (the "State") was admitted as the forty-seventh state on January 6, 1912. It is the fifth largest state, containing approximately 121,593 square miles.

The State's climate is characterized by sunshine and warm bright skies in both winter and summer. Every part of the State receives no less than 70% sunshine year-round. Humidity ranges from 60% (mornings) to 30% (afternoons). Evenings are crisp and cool in all seasons because of the low humidity.

The State has a semiarid subtropical climate with light precipitation. Thunderstorms in July and August bring most of the moisture to the State. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains).

Governmental Organization

The State's government consists of the three branches characteristic of the American political system: executive, legislative and judicial. The executive branch is headed by a governor, who is elected for a four-year term. A governor may succeed himself in office only once. Following a reorganization plan implemented in 1978 to reduce and consolidate some 390 agencies, boards and commissions, the primary functions of the executive branch are now carried out by sixteen cabinet departments, each headed by a cabinet secretary appointed by the Governor.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected to four-year terms, and members of the House to two-year terms. The Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to sixty calendar days in odd-numbered years and thirty calendar days in even-numbered years. In addition, special sessions of the Legislature may be convened by the Governor under certain limited circumstances. Legislators receive no salary, but do receive per diem and mileage allowances while in session or on official State business.

The judicial branch is composed of a statewide system of Magistrate and District Courts, the Court of Appeals and the Supreme Court. The district court is the trial court of record with general jurisdiction.

Principal Economic Activities

Major industries in the State include energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing, and mining. In fiscal year 1997-1998, the value of energy resources production (crude petroleum, natural gas, and coal) was approximately $4.6 billion. The total value of mineral production was $5.6 million. The mining industry employed about 14,000 New Mexicans in 1998. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy.

Agriculture is a major part of the State's economy, with 1998 crop and livestock sales in excess of $2.0 billion. As a high, relatively dry region with extensive grasslands, the State is ideal for raising cattle, sheep and other livestock. Because of irrigation and a variety of climatic conditions, the State's farmers are able to produce a diverse assortment of quality products. The State's farmers are major producers of alfalfa hay, wheat, chile peppers, cotton, fruits and pecans. Agricultural businesses include chile canneries, milk processing and cheese plants, dairies, wineries, alfalfa pellets, chemical and fertilizer plants, farm machinery, feed lots, and commercial slaughter plants.

Economic and Demographic Information

The State's population at the time of the official 1990 United States Census was 1,515,069. Set out below is certain historical population information and certain additional historical economic information concerning the State.

State of New Mexico
Population Trends

Year	New Mexico (000) Population	New Mexico (000) % Change	United States (000) Population	United States (000) % Change
1970	1,017.1	6.9%	203,302	13.4%
1980	1,302.3	28.0	226,546	11.4
1990	1,515.0	16.3	249,438	9.8
1991	1,547.1	1.8	252,127	1.1
1992	1,580.8	2.2	254,994	1.1
1993	1,615.3	2.2	257,746	1.1
1994	1,653.7	2.4	260,289	1.0
1995	1,683.7	1.8	262,764	1.0
1996	1,707.9	1.4	265,189	0.9
1997	1,723.9	0.9	267,743	1.0
1998	1,736.9	0.8	270,298	1.0

Source: U.S. Department of Commerce, Bureau of the Census

State of New Mexico
Wages and Salaries by Industry Sector, 1987 and 1997
($ in millions)

	New Mexico		% Change		Distribution of 1997 Wages and Salaries	
	1987	1997	N.M.	U.S.	N.M.	U.S.
Totals	10,319	16,764	62.5	72.3	100.0%	100.0%
Farm	74	151	102.7	69.9	.9	.4
Agriculture	N/A	120	N/A	110.0	.7	.6
Mining	427	652	52.8	25.0	3.9	.8
Construction	571	1,104	93.4	57.5	6.6	5.4
Manufacturing	791	1,509	90.8	44.8	9.0	20.5
Transportation	786	1,086	38.2	60.6	6.5	7.0
Wholesale/Retail	1,622	2,969	83.1	70.8	17.7	7.6
Finance, Insurance and Real Estate	514	882	71.5	84.4	5.3	9.3
Services	2,296	4,967	116.3	119.8	29.6	29.8
Government	3,237	3,323	2.7	59.4	19.8	18.6
Federal, Civilian*	743	786	5.8	42.9	4.7	3.4
Military*	420	409	(-2.8)	11.7	2.4	1.4
State and Local*	2,074	2,128	2.6	71.5	12.7	13.8

* The indented sectors are components of the encompassing sector immediately above.

Source: U.S. department of Commerce, Bureau of Economic Analysis

State of New Mexico
Civilian Labor Force, Employment and Unemployment in New Mexico and the United States, 1987 through 1998

	Civilian Labor Force (000)		Number Employed (000)		Unemployment Rate		
Year	N.M.	U.S.	N.M.	U.S.	N.M.	U.S.	NM as % of U.S. Rate
1987	682	119,865	622	112,440	8.9	6.2	144%
1988	688	121,669	635	114,968	7.8	5.5	142%
1989	698	123,869	651	117,342	6.7	5.3	126%
1990	707	125,840	662	118,793	6.3	5.5	115%
1991	725	126.346	675	117,718	6.9	6.7	103%
1992	741	128,105	691	118,492	7.0	7.4	92%
1993	756	129,200	697	120,259	7.7	6.8	110%
1994	778	131,056	729	123,060	6.3	6.1	103%
1995	791	132,304	741	124,900	6.3	5.6	112%
1996	798	133,943	734	126,708	8.1	5.4	150%
1997	815	136,297	764	129,557	6.2	4.9	129%
1998	831	137,673	780	131,463	6.2	4.5	138%

Source: New Mexico Department of Labor, Economic Research and Analysis

State of New Mexico
Per Capita Personal Income in New Mexico and the U.S., 1980-1998

Year	Per Capita Income		New Mexico As a % Of U.S.	Annual % Change	
	New Mexico	U.S.		New Mexico	U.S.
1980	$ 8,253	$10,062	82 %	10.2%	10.4%
1981	9,171	11,144	82	11.1	10.8
1982	9,704	11,729	83	5.8	5.2
1983	10,088	12,384	81	4.0	5.6
1984	10,865	13,588	80	7.7	9.7
1985	11,617	14,448	80	6.9	6.3
1986	11,874	15,185	78	2.2	5.1
1987	12,286	15,990	77	3.5	5.3
1988	12,878	17,062	75	4.8	6.7
1989	13,628	8,172	75	5.8	6.5
1990	14,497	19,191	76	6.4	5.6
1991	15,096	19,689	77	4.1	2.6
1992	15,791	20,631	77	4.6	4.8
1993	16,627	21,365	78	5.3	3.6
1994	17,150	22,056	78	3.1	3.2
1995	18,029	23,059	78	5.1	4.5
1996	18,634	24,164	77	3.4	4.8
1997	19,298	25,288	76	3.6	4.7
1998	19,936	26,412	75	3.3	4.4

Source: U.S. Department of Commerce, Bureau of Economic Analysis

State of New Mexico
Earnings Growth by Standard Industrial Classification
% Change, 1996-1997

	New Mexico	Southwest Region (1)	U.S.
Farm Earnings	10.6%	34.3%	(-3.5)%
Nonfarm earnings	2.2	8.3	8.3
Private	5.5	9.0	7.1
Ag. Serv, Forestry & Fisheries	10.3	8.8	7.5
Mining	7.4	10.6	8.1
Construction	2.6	6.3	7.2
Manufacturing	10.3	8.2	6.0
Transportation & Public Utilities	5.1	9.4	6.7
Wholesale Trade	6.7	10.8	7.6
Retail Trade	5.4	6.5	5.6
Finance, Insurance, Real Estate	4.7	9.3	8.7
Services	4.6	10.3	7.7
Government	3.5	4.2	3.6
Federal, Civilian*	1.6	3.4	1.6
Military*	(-4.5)	0.8	0.4
State & Local*	5.4	4.9	4.3
Total Earnings	5.1%	8.5%	6.4%

(1) Southwest Region: Defined by the U.S. Department of Commerce as Arizona, New Mexico, Oklahoma and Texas.

* The indented sectors are components of the encompassing sectors immediately above.

Source: Regional Economic Information System, Bureau of Economic Analysis, September 1998.

APPENDIX D

CERTAIN INFORMATION CONCERNING THE COUNTY

This Appendix sets forth certain information concerning the 2000A Governmental Unit. The information concerning the 2000A Governmental Unit was provided by Valencia County (the 2000A Governmental Unit) and other sources believed to be reliable. While NMFA believes such information is a fair summary of the matters presented, NMFA cannot guarantee its accuracy or completeness. In addition, such information is current only as of the date of this Official Statement and is subject to change at any time.

VALENCIA COUNTY

Generally

Valencia County ("County") was established in 1852. The County has a population of approximately 70,000 people and has three main municipalities of Belen, Bosque Farms, and Los Lunas. The County encompasses approximately 683,520 acres. A five-member county commission governs the County, and the administration is headed by the county manager.

The 2000A Project

In conjunction with the closing of the Series 2000A Bonds the County will enter into a Loan Agreement dated as of January 1, 2000 (the "2000A Agreement") with the NMFA to construct, purchase, furnish and equip an adult correctional facility for the County.

The County has purchased the land on which the 2000A Project will be constructed. In July 1999, the County applied to the Village of Los Lunas, the County seat, for a zone change on the land for the 2000A Project site. The Village denied the request for the zone change, and the County filed suit against the Village. The District Court found in favor of the County. The Village appealed the District Court decision. The County and the Village have entered into a settlement agreement relating to the construction of the 2000A Project, and on November 19, 1999, the District Court entered its order dismissing the action and the appeal with prejudice.

Security for Loan Payments

The Trust Estate, including the Revenues, is pledged by the NMFA for the payments of debt service on the Series 2000A Bonds and the other Bonds issued pursuant to the Indenture. See Official Statement, "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." Pursuant to the Indenture, the Trust Estate includes the payments of the County under the 2000A Agreement which are required to be in an amount sufficient to pay the principal of and interest on the Series 2000A Bonds and to pay certain other obligations of the County under the 2000A Agreement. It is anticipated that the amount of the Correctional Facility Tax and the County Gross Receipts Tax revenues (described below) will be sufficient to meet the obligations of the County under the 2000A Agreement. See "PLEDGE OF THE COUNTY" in the Official Statement.

The County has pledged the revenues derived from two sources to pay its obligations under the 2000A Agreement. The two sources are (i) the county correctional facility gross receipts tax imposed pursuant to Sections 7-20F-1 through 7-20F-12, NMSA 1978 and Valencia County Ordinance No. 98-04 (the "Correctional Facility Tax") and (ii) the first one-eighth of one percent increment of county gross receipts tax imposed pursuant to Section 7-20E-9, NMSA 1978 and Valencia County Ordinance No. 84-1 (the "County Gross Receipts Tax"). Both the Correctional Facility Tax and the County Gross Receipts tax are imposed at a rate of one-eighth of one percent of the gross receipts (with certain exceptions) of any person engaging in business in the County, including all municipalities within the County, for the privilege of engaging in business in the County. The Correctional Facility Tax was imposed on January 1, 1999 and may only be in effect for ten years. Consequently, the Correctional Facility Tax must be repealed effective on or before January 1, 2009 so that the last possible distribution of Correctional Facility Tax will come in February 2009 from collections and business activity in December 2008. However, the County Gross Receipts Tax will be in effect through the final maturity date of the Series 2000A Bonds.

For more detail regarding receipts of the Correctional Facility Tax revenues and the County Gross Receipts Tax revenues and application of those receipts to make the payments under the 2000A Agreement and the Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Funds" and "PLEDGE OF THE COUNTY" in this Official Statement.

Pursuant to an intercept agreement (the "Intercept Agreement") between the County and the NMFA, the Correctional Facility Tax and County Gross Receipts Tax will be intercepted monthly at the State of New Mexico Taxation and Revenue Department and will be transferred directly to the Trustee to make the payments required by the 2000A Agreement.

Additional Obligations

The County currently has no other obligations outstanding with a lien on the County Correctional Facilities Tax or on the County Gross Receipts Tax. Pursuant to the Loan Agreement, no additional obligations may be issued by the County with a lien on the Correctional Facility Tax. The County may enter into or issue obligations payable from that part of the County Gross Receipts Tax revenues released by the Trustee each year subsequent to the payment of principal and interest on the Series 2000A Bonds.

The County may issue bonds or incur other obligations with a lien on the County Gross Receipts Tax or the Correctional Facility Tax, or both, which refund all of the then outstanding Series 2000A Bonds.

APPENDIX E

CERTAIN INFORMATION CONCERNING THE GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES

Pursuant to the Continuing Disclosure Undertaking to be executed in connection with the Series 2000A Bonds, the NMFA agrees to provide with respect to any Governmental Unit whose Loan repayment obligations constitute more than 5% of the estimated annual Revenues in any year when the Series 2000A Bonds are outstanding (the "5% test"), information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Pledged Revenues and audited financial statements for any Governmental Unit meeting the 5% test. Currently the Energy, Minerals and Natural Resources Department is the only Governmental Unit whose Loan repayment obligations meet the 5% test.

Energy, Minerals and Natural Resources Department of the State of New Mexico

Generally

The Energy, Minerals and Natural Resources Department ("EMNRD") is a cabinet-level department within the executive branch of government of the State of New Mexico (the "State") established by the State Legislature in 1987. It is administered by a cabinet Secretary who is appointed by the Governor with the consent of the State Senate. EMNRD consists of six divisions, including the State Parks Division (the "Division") which is responsible for developing, maintaining, managing and supervising all state parks and state-owned or state-leased recreation areas.

Security for Payments on NMFA-Purchased Securities

Generally

Twenty-five percent (25%) of the net governmental gross receipts tax which is imposed pursuant to Section 7-1-6.38 NMSA 1978, is allocated to EMNRD. Of this 25% portion, 60% (the "EMNRD Portion of the Governmental Gross Receipts Tax") is distributed to the EMNRD for State park and recreational area capital improvements. The EMNRD currently has outstanding its State Parks Division Revenue Bonds, Series 1995A, Series 1995B, Series 1996A, Series 1996B, Series 1997A, Series 1997B, Series 1998A and Series 1998B (collectively the "EMNRD Securities"). All of the outstanding EMNRD Securities have been purchased by the NMFA. The EMNRD Securities are secured by a first, but not necessarily an exclusively first, pledge of the EMNRD Portion of the Governmental Gross Receipts Tax collections. For certain information concerning the Governmental Gross Receipts Tax, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000A BONDS - Revenues - The Governmental Gross Receipts Tax." NMFA believes that the EMNRD Portion of the Governmental Gross

Receipts Tax will provide sufficient funds for the payment of the debt service on the outstanding EMNRD Securities when due.

Set forth below is information concerning the EMNRD Portion of the Governmental Gross Receipts Tax for the fiscal years 1995-1996 through 1998-1999 and coverage of the State Parks Division's parity obligations to NMFA.

EMNRD Portions of the Governmental Gross Receipts Tax
Fiscal Years 1995-1996 through 1998-1999

	Fiscal Year 1995-1996	Fiscal Year 1996-1997	Fiscal Year 1997-1998	Fiscal Year 1998-1999
EMNRD Portion of the Government Gross Receipts Tax	$2,408,918	$2,456,767	$2,528,981	$2,765,226
Debt Service on Parity EMNRD Obligations to NMFA	314,753	585,550	990,482	1,374,232
Debt Service Coverage	7.65	4.20	2.55	2.01

Parity Obligations

As of the date of issuance of the Series 2000A Bonds the only obligations payable from the EMNRD Portion of the Governmental Gross Receipts Tax are the EMNRD Securities which have all been issued with a parity lien on the EMNRD Portion of the Governmental Gross Receipts Tax. The EMNRD Securities are currently outstanding in the aggregate principal amount of 15,986,198.

Pursuant to the proceedings authorizing the issuance of the 1999 Securities, additional parity obligations may be issued if (i) all payments required to be made by the EMNRD into its accounts of the Debt Service Fund and the Agreement Reserve Fund have been made; (ii) no default exists in connection with any of the covenants or requirements set forth in such proceedings; (iii) the EMNRD Portion of the Governmental Gross Receipts Tax received or credited to the Division for the fiscal year, or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such parity obligations, shall have been sufficient to pay an amount representing 135% of the combined maximum aggregate annual debt service requirement coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor); and (iv) an appropriately pledged reserve fund for such parity obligations has been provided for and funded. The Division may not issue bonds or other obligations payable from the EMNRD Portion of the Governmental Gross Receipts Tax having a lien thereon prior and superior to the outstanding EMNRD Securities.

Economic and Demographic Information

For certain economic and demographic information concerning the State, see Appendix C, "CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE."

(This Page Intentionally Left Blank)

APPENDIX F

FORMS OF OPINIONS OF CO-BOND COUNSEL

January ___, 2000

New Mexico Finance Authority
1751 Old Pecos Trail, Suite L
Santa Fe, New Mexico 87505

First Security Bank of New Mexico, N.A.
Corporate Trust Department
40 First Plaza, 3rd Floor
Albuquerque, New Mexico 87102

Re: New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 2000A

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 2000A in the aggregate principal amount of $4,715,000 (the "Series 2000A Bonds"). The Series 2000A Bonds are being issued to provide funds (i) to make a loan to Valencia County, New Mexico (the "Governmental Unit") to finance a public project for the use and benefit of the Governmental Unit and (ii) to pay costs of issuance.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21-1 et. seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 2000A Bonds are authorized to be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995, as heretofore amended and supplemented and as further amended by the Twenty-First Supplemental Indenture of Trust dated as of January 1, 2000 (the "Indenture") between the NMFA and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The NMFA has previously issued other series of its Public Project Revolving Fund Revenue Bonds which are outstanding under the Indenture (the "Outstanding Parity Bonds and together with the Series 2000A Bonds, the "Bonds"). The Series 2000A Bonds are issued and secured with a lien on the Trust Estate on a parity with the lien of the Outstanding Parity Bonds on the Trust Estate.

We have reviewed the Indenture, an opinion of the Attorney General of the State of New Mexico, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the certified proceeding and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof Our opinion is limited to the matters expressly set forth herein and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico and has lawful authority to issue the Series 2000A Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged under the Indenture to secure the payment of the principal of and interest on Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2000A Bonds constitute special limited obligations of the NMFA payable solely from the Trust Estate and do not constitute a general obligation or other indebtedness of the State of New Mexico or the Governmental Unit within the meaning of any constitutional or statutory debt limitation.

In rendering our opinion, we wish to advise you that:

(1) The rights of the holders of the Series 2000A Bonds and the enforceability of the Series 2000A Bonds and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and the enforcement of the Series 2000A Bonds and the Indenture may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases.

(2) We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement or any other offering material relating to the Series 2000A Bonds.

(3) We have not addressed, nor are we opining on, the tax consequences to any person of the investment in, or the receipt of interest on, the Series 2000A Bonds.

Respectfully submitted,

Modrall, Sperling, Roehl, Harris & Sisk, P.A.

January __, 2000

New Mexico Finance Authority
1751 Old Pecos Trail, Suite L
Santa Fe, New Mexico 87505

Re: New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 2000A

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 2000A in the aggregate principal amount of $4,715,000 (the "Series 2000A Bonds"). The Series 2000A Bonds are being issued for the purpose of providing funds (i) to make a loan to Valencia County, New Mexico (the "Governmental Unit") to finance a public project for the use and benefit of the Governmental Unit, and (ii) to pay costs of issuance.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21-1 *et. seq.*, NMSA 1978, as amended and supplemented (the "Act"). The Series 2000A Bonds are authorized under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 as heretofore amended and supplemented (the "General Indenture"), and as further amended and supplemented by a Twenty-First Supplemental Indenture of Trust dated as of January 1, 2000 (the "Twenty-First Supplemental Indenture", and collectively with the General Indenture, the "Indenture") between the NMFA and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The NMFA has previously issued other series of its Public Project Revolving Fund Revenue Bonds which are outstanding under the Indenture (the "Outstanding Parity Bonds" and sometimes together with the Series 2000A Bonds, the "Bonds"). The Series 2000A Bonds are issued and secured with a lien on the Trust Estate on a parity with the lien of the Outstanding Parity Bonds on the Trust Estate.

We have reviewed the Indenture, an opinion of the office of the Attorney General of the State of New Mexico, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 2000A Bonds. The NMFA and the Governmental Unit have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2000A Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2000A Bonds. We have assumed, without undertaking to determine or confirm, continuing compliance by the NMFA and the Governmental Unit with such requirements and restrictions in rendering our opinion regarding the tax exempt status of interest on the Series 2000A Bonds.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

2. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Series 2000A Bonds.

3. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged under the Indenture to secure the payment of the principal of and interest on the Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. The Series 2000A Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a general obligation or other indebtedness of the State of New Mexico or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

5. Based on an analysis of currently existing laws, regulations, decisions and interpretations, interest on the Series 2000A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

6. Under the laws of the State of New Mexico as enacted and construed on the date hereof, interest on the Series 2000A Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

In rendering our opinion, we wish to advise you that:

() the rights of the holders of the Series 2000A Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

() we express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2000A Bonds; and

() although we have rendered an opinion that interest on the Series 2000A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2000A Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2000A Bonds.

Respectfully submitted,

Ballard Spahr Andrews & Ingersoll, LLP

(This Page Intentionally Left Blank)

APPENDIX G

SPECIMEN OF MBIA INSURANCE CORPORATION FINANCIAL GUARANTY INSURANCE POLICY

(This Page Intentionally Left Blank)

MBIA

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

SPECIMEN

Attest:

Assistant Secretary

STD-R-6
4/95

(This Page Intentionally Left Blank)

NEW ISSUE — BOOK ENTRY ONLY

Ratings: Moody's: Aaa
S&P: AAA
Fitch: AAA
(See "Ratings" Herein)

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2000B-C Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. In the opinion of such Co-Bond Counsel, under existing laws, interest on the Series 2000B-C Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes. Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2000B-C Bonds. See "TAX MATTERS."

$7,670,000
NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS
SERIES 2000B

$28,850,000
NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS
SERIES 2000C

Dated: September 1, 2000 **Due: June 1, as shown on inside front cover**

The New Mexico Finance Authority's Public Project Revolving Fund Revenue Bonds, Series 2000B and Series 2000C (collectively, the "Series 2000B-C Bonds"), are being issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Depository Trust Company will act as securities depository for all of the Series 2000B-C Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each series and maturity of the Series 2000B-C Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2000B-C Bonds will be made in book-entry form only, and beneficial owners of the Series 2000B-C Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Series 2000B-C Bonds.

The Series 2000B-C Bonds will be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995, as previously amended and supplemented, and as amended and supplemented by a Thirty-First Supplemental Indenture of Trust, dated as of September 1, 2000 (collectively, the "Indenture"), between the New Mexico Finance Authority and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico, as Trustee. Principal of and interest (and premium, if any) on the Series 2000B-C Bonds is payable on June 1 and December 1 of each year, commencing on June 1, 2001, as more fully described herein. Principal of the Series 2000B-C Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedules set forth on the inside front cover.

SEE MATURITY SCHEDULES
ON INSIDE FRONT COVER

The Series 2000B-C Bonds are subject to optional and mandatory redemption, and mandatory sinking fund redemption prior to maturity as more fully described herein.

The Series 2000B-C Bonds are being issued by the NMFA to reimburse the Public Project Revolving Fund for loans made by the NMFA to the 2000 Governmental Units and to reimburse the NMFA for and to finance the costs of issuance of the Series 2000B-C Bonds. The principal of, premium, if any, and interest on the Series 2000B-C Bonds are payable solely from and secured solely by the Trust Estate, which includes the NMFA Portion of the Governmental Gross Receipts Tax, certain amounts payable pursuant to agreements between the NMFA and Governmental Units heretofore and hereafter entering into agreements with the NMFA and certain moneys in funds and accounts described herein. Parity bonds have heretofore been issued and may hereafter be issued pursuant to the Indenture with a lien on the Trust Estate on a parity with the lien of the Series 2000B-C Bonds.

THE SERIES 2000B-C BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE NMFA, PAYABLE, TOGETHER WITH ADDITIONAL BONDS HERETOFORE OR HEREAFTER ISSUED, SOLELY FROM AND SECURED SOLELY BY THE TRUST ESTATE PLEDGED UNDER THE INDENTURE. THE SERIES 2000B-C BONDS DO NOT CONSTITUTE NOR CREATE A GENERAL OBLIGATION OR OTHER INDEBTEDNESS OF THE STATE OF NEW MEXICO OR (EXCEPT AS EXPRESSLY PROVIDED IN AN AGREEMENT) ANY GOVERNMENTAL UNIT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. NO PROVISION OF THE SERIES 2000B-C BONDS OR THE INDENTURE IS TO BE CONSTRUED OR INTERPRETED AS CREATING A DELEGATION OF GOVERNMENTAL POWERS OR AS A DONATION BY OR LENDING OF THE CREDIT OF THE NMFA, THE STATE OR ANY GOVERNMENTAL UNIT WITHIN THE MEANING OF THE STATE CONSTITUTION.

Payment of principal of and interest on the Series 2000B-C Bonds when due will be insured under an insurance policy to be issued concurrently with the delivery of the Series 2000B-C Bonds by MBIA Insurance Corporation.

The NMFA has undertaken, for the benefit of owners of the Series 2000B-C Bonds, to provide certain annual and periodic disclosure as described herein under the caption "CONTINUING DISCLOSURE UNDERTAKING."

Certain legal matters will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Co-Bond Counsel, Albuquerque, New Mexico. Certain legal matters, including certain legal matters with respect to the tax status of the interest paid on the Series 2000B-C Bonds, will be passed on by Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, Salt Lake City, Utah. Certain legal matters will be passed on for the NMFA by the Office of the Attorney General of the State of New Mexico and for the Underwriters by Sutin, Thayer & Browne A Professional Corporation. Certain legal matters relating to the 2000 Governmental Units will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with the Series 2000B-C Bonds. It is expected that a single certificate for each maturity of each series of the Series 2000B-C Bonds will be delivered to DTC or its agent on or about September 28, 2000. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 2000B-C Bonds.

DAIN RAUSCHER INCORPORATED

GEORGE K. BAUM & COMPANY **U.S. BANCORP PIPER JAFFRAY INC.** **SALOMON SMITH BARNEY**

Dated: September 21, 2000

Maturity Schedules

New Mexico Finance Authority
Public Project Revolving Fund
Revenue Bonds

$7,670,000 Series 2000B

$7,670,000 Serial Bonds

Year (June 1)	Principal Amount	Interest Rate	Price or Yield	Year (June 1)	Principal Amount	Interest Rate	Price or Yield
2001	$330,000	4.75%	4.30%	2011	$370,000	4.90%	4.95%
2002	255,000	4.75	4.40	2012	390,000	5.00	5.05
2003	270,000	4.75	4.45	2013	410,000	5.10	5.15
2004	285,000	4.75	4.50	2014	435,000	5.20	5.25
2005	300,000	4.75	4.55	2015	455,000	5.30	5.35
2006	315,000	4.75	4.60	2016	485,000	5.30	5.40
2007	325,000	4.75	4.70	2017	510,000	5.40	5.45
2008	345,000	4.75	100	2018	540,000	5.40	5.50
2009	360,000	4.80	100	2019	565,000	5.50	5.55
2010	355,000	4.80	4.85	2020	370,000	5.50	5.60

$28,850,000 Series 2000C

$26,020,000 Serial Bonds

Year (June 1)	Principal Amount	Interest Rate	Price or Yield	Year (June 1)	Principal Amount	Interest Rate	Price or Yield
2001	$1,240,000	4.35%	100%	2010	$2,125,000	5.00%	100%
2002	2,045,000	4.50	100	2011	1,315,000	5.00	5.07
2003	2,615,000	4.55	100	2012	1,935,000	5.15	5.20
2004	2,480,000	4.625	100	2013	320,000	5.25	5.30
2005	1,980,000	4.65	4.67	2014	335,000	5.35	5.40
2006	1,975,000	4.70	100	2015	355,000	5.45	5.50
2007	2,005,000	4.75	4.77	2016	375,000	5.50	5.55
2008	2,030,000	4.85	4.87	2017	395,000	5.55	5.60
2009	2,070,000	4.75	4.97	2018	425,000	5.60	5.65

$775,000 Series 2000C Term Bond due June 1, 2020 at 5.70% Price 99.406%
$875,000 Series 2000C Term Bond due June 1, 2025 at 5.75% Price 99.338%
$1,180,000 Series 2000C Term Bond due June 1, 2030 at 5.80% Price 99.290%

(Accrued Interest from September 1, 2000 to be added)

No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than as contained in this Official Statement, in connection with the offering of the Series 2000B-C Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the NMFA or the Underwriters. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized or in which any person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information contained in this Official Statement has been obtained from the NMFA, the 2000 Governmental Units and other sources which are believed by the NMFA to be reliable. The information in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the NMFA, any Governmental Unit or others since the date hereof.

The Series 2000B-C Bonds have not been registered under the Securities Act of 1933, nor has the Indenture been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such Acts. The registration and qualification of the Series 2000B-C Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2000B-C Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2000B-C Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement contains statements relating to the NMFA's and certain Governmental Units' future financial plans, receipt of future revenues and other matters that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend," "anticipate," "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

NEW MEXICO FINANCE AUTHORITY
409 St. Michael's Drive
Santa Fe, New Mexico 87505
telephone: (505) 984-1454
telecopy: (505) 984-0002

TABLE OF CONTENTS

OFFICIAL STATEMENT

NEW MEXICO FINANCE AUTHORITY PUBLIC PROJECT REVOLVING FUND REVENUE BONDS $7,670,000 SERIES 2000B	**NEW MEXICO FINANCE AUTHORITY PUBLIC PROJECT REVOLVING FUND REVENUE BONDS $28,850,000 SERIES 2000C**

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale of the Public Project Revolving Fund Revenue Bonds, Series 2000B (the "Series 2000B Bonds") and Series 2000C Bonds (the "Series 2000C Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2000B Bonds and the Series 2000C Bonds are collectively referred to herein as the "Series 2000B-C Bonds." The Series 2000B-C Bonds, together with additional bonds heretofore or hereafter issued on parity therewith, are collectively referred to herein as the "Bonds." Capitalized terms used herein and not defined have the meanings specified in the General Indenture of Trust and Pledge dated as of June 1, 1995, as heretofore supplemented and amended (the "General Indenture") between the NMFA and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico (the "Trustee"), and as further supplemented and amended by the Thirty-First Supplemental Indenture of Trust dated as of September 1, 2000 (the "Supplemental Indenture") between the NMFA and the Trustee and are set forth under "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - CERTAIN DEFINITIONS" in Appendix B hereto. The General Indenture and the Supplemental Indenture are collectively referred to herein as the "Indenture." See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2000B-C Bonds to potential investors is made only by means of the entire Official Statement.

New Mexico Finance Authority

The NMFA, established by the legislature of the State of New Mexico (the "State") in 1992, is a governmental instrumentality created to coordinate the planning and financing of state and local public projects. The NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the State, except that a legislative oversight committee is empowered to monitor and oversee its operations. For additional information concerning the NMFA, see "NEW MEXICO FINANCE AUTHORITY" herein and the financial statements included as Appendix A hereto.

Purposes of the Series 2000B-C Bonds; The 2000 Governmental Units; Other Governmental Units

Proceeds from the sale of the Series 2000B-C Bonds will be used to reimburse NMFA (i) for loans made by NMFA (the "2000 Loans") to certain Governmental Units (the "2000 Governmental Units") identified under the caption "THE PLAN OF FINANCING - Governmental Units and the 2000 Projects" herein. The 2000 Loans provided funds to the 2000 Governmental Units to pay for all or a portion of the costs of certain projects (the "2000 Projects"), as more fully described herein. Proceeds will also be used for the payment of and the reimbursement of NMFA for payment by NMFA of costs of issuance of the Series 2000B-C Bonds. For certain information concerning the 2000 Governmental Units and their respective 2000 Projects see "THE PLAN OF FINANCING" herein. The 2000 Governmental Units have each executed an individual loan agreement (the "2000 Loan Agreements"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS." The 2000 Loan Agreements, together with loan agreements, grant agreements and securities relating to parity bonds heretofore or hereafter issued, are referred to herein as the "Loan Agreements." The 2000 Governmental Units together with other governmental units heretofore or hereafter entering into Loan Agreements are herein collectively referred to as "Governmental Units."

Bonds with a lien on the Trust Estate on a parity with the lien thereon of the Series 2000B-C Bonds have been issued previously and may be issued in the future to provide loans and grants to and to purchase securities from certain other Governmental Units. See "PLAN OF FINANCING - Governmental Units and Projects." For a description of the parity bonds currently outstanding, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS - Outstanding Parity Bonds."

Authority for Issuance

The Series 2000B-C Bonds are being issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMSA 1978, as amended (the "Act"), and the Indenture. For a description of the Public Project Revolving Fund Program, see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein.

Terms of the Series 2000B-C Bonds

Payments

The Series 2000B-C Bonds will be dated September 1, 2000. Interest on the Series 2000B-C Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2001. The Series 2000B-C Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear the interest rates shown on the inside front cover hereof.

Denominations

The Series 2000B-C Bonds are issuable in denominations of $5,000 or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry form only, and purchasers of the Series 2000B-C Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest on the Series 2000B-C Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2000B-C Bonds, all as more fully described in "THE SERIES 2000B-C BONDS - Book-Entry-Only System." *When reading this*

Official Statement, it should be understood that while the Series 2000B-C Bonds are in book-entry-only form, references in other sections of this Official Statement to Owners should be read to include the person for whom the Participants (as hereinafter defined) and indirect participants acquire an interest in the Series 2000B-C Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system as described more fully herein, and (ii) notices that are to be given to Owners by the NMFA, the Trustee, the Registrar or the Paying Agent will be given only to DTC.

Redemption of the Series 2000B-C Bonds

The Series 2000B-C Bonds are subject to optional and mandatory redemption and mandatory sinking fund redemption prior to maturity. See "THE SERIES 2000B-C BONDS - Redemption of the Series 2000B-C Bonds."

Security and Sources of Payment for the Series 2000B-C Bonds

Special, Limited Obligations

The Series 2000B-C Bonds are special, limited obligations of the NMFA payable solely from the Trust Estate, which includes the Revenues described below and certain funds and accounts created and maintained pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS - Special, Limited Obligations."

Revenues

Revenues are defined by the General Indenture to mean: (i) all revenues received or earned by the NMFA from or attributable to the Loan Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned on and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund). All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement) shall be deposited at least once each year in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Loan Agreement, provided, however, that all earnings received on the Governmental Units' Accounts shall be allocated solely to the benefit of such Governmental Unit. For a description of the Loan Agreements, the NMFA Portion of the Governmental Gross Receipts Tax and the AdditionalPledged Loans, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS - Revenues." For a description of the funds and accounts created by the Indenture see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS - Flow of Funds." See also "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

Additional Bonds

The NMFA must meet certain requirements prior to the issuance of Additional Bonds or other obligations with a lien on the Trust Estate on a parity with the lien of the Series 2000B-C Bonds. For a description of these requirements, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS - Additional Bonds." For a discussion of the outstanding parity bonds, see "SECURITY

AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS - Outstanding Parity Bonds." The NMFA may not issue bonds or other indebtedness payable with a priority senior to the lien on the Trust Estate of the Bonds without the written consent of 100% of the owners of Outstanding Bonds. The NMFA may issue, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinate to that of the Series 2000B-C Bonds.

The NMFA anticipates continuing to provide loans, to provide grants, and to purchase securities from Governmental Units and expects to finance those activities with the issuance of additional bonds on a parity with the Series 2000B-C Bonds; however, the timing, amount and other details of such parity bonds have not been determined. In addition, the NMFA may, from time to time, issue other obligations backed on a parity or subordinate basis by the Governmental Gross Receipts Tax.

Bond Insurance

The principal of and interest on the Series 2000B-C Bonds will be insured by a municipal bond insurance policy (the "Financial Guaranty Insurance Policy") to be issued by MBIA Insurance Corporation (the "Bond Insurer") simultaneously with the issuance of the Series 2000B-C Bonds. For information concerning the Bond Insurer and the Financial Guaranty Insurance Policy to be issued for the Series 2000B-C Bonds, see "BOND INSURANCE" herein. See Appendix F for a specimen of the Financial Guaranty Insurance Policy.

Continuing Disclosure

The NMFA has undertaken for the benefit of the Bond Owners that, so long as the Series 2000B-C Bonds remain outstanding, the NMFA will provide certain annual financial information with respect to the NMFA and any Governmental Unit whose repayment obligations to the NMFA will represent more than 5% of the estimated annual Revenues for any year during which the Series 2000B-C Bonds are outstanding to each nationally recognized municipal securities information repository and notice of certain material events to the Municipal Securities Rulemaking Board (the "MSRB") in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as described in "CONTINUING DISCLOSURE UNDERTAKING."

Continuing disclosure undertakings previously entered into by NMFA called for it to file an annual report and audit with respect to the Fiscal Year ended June 30, 1997, no later than 270 days after the end of such fiscal year. In November 1998, the NMFA discovered that such report and audit had not yet been filed. On November 25, 1998, the NMFA notified the MSRB of its failure to file the report and audit and by December 15, 1998, such report and audit had been filed with the nationally recognized municipal securities information repositories (the "NRMSIRs"). The NMFA believes that it is now in compliance with its continuing disclosure undertakings.

Tax Considerations

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2000B-C Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

In the opinion of such Co-Bond Counsel, under existing laws of the State of New Mexico as currently enacted and construed, interest on the Series 2000B-C Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2000B-C Bonds.

The form of opinion to be delivered by Ballard Spahr Andrews & Ingersoll, LLP, as Co-Bond Counsel to the NMFA, is included in Appendix E hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 2000B-C Bonds, see "TAX MATTERS" herein.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2000B-C Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel to the NMFA, will deliver its opinion included in Appendix E hereto and Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel, will deliver its opinion discussed under "TAX MATTERS" and also included in Appendix E hereto. Certain legal matters relating to the Series 2000B-C Bonds will be passed upon for the Underwriters by their counsel, Sutin Thayer & Browne A Professional Corporation. Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. See "LEGAL MATTERS" herein. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with its issuance of the Series 2000B-C Bonds. See "EXPERTS" herein.

The NMFA's financial statements for the Fiscal Year ended June 30, 1999, included in Appendix A hereto, have been audited by Neff & Ricci, LLP, certified public accountants, Albuquerque, New Mexico.

Offering and Delivery of the Series 2000B-C Bonds

The Series 2000B-C Bonds are offered when, as and if issued, subject to approval as to their legality by Co-Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each maturity of the Series 2000B-C Bonds will be delivered to DTC or its agent on or about September 28, 2000.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 409 St. Michael's Drive, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 2000B-C Bonds.

THE SERIES 2000B-C BONDS

Generally

Set forth below is a summary of certain provisions of the Series 2000B-C Bonds. Other information describing the Series 2000B-C Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Indenture and the Series 2000B-C Bonds. For a description of certain provisions of the Indenture, see "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto. Copies of the approved forms of the Indenture are available as provided in "ADDITIONAL INFORMATION" herein.

The Series 2000B-C Bonds are being issued pursuant to the Act, the Indenture, a parameters resolution adopted by the NMFA on July 27, 2000 and an approving resolution adopted by the NMFA on September 21, 2000. The Series 2000B-C Bonds are being issued to reimburse NMFA for loans made to the 2000 Governmental Units and to pay a portion of the costs of issuance as more particularly described herein as part of the NMFA's Public Project Revolving Fund Program. For a description of such program see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein. See also "THE PLAN OF FINANCING - Sources and Uses of Funds."

Description of the Series 2000B-C Bonds

The Series 2000B-C Bonds are being issued pursuant to the Indenture and will be dated September 1, 2000. Interest on the Series 2000B-C Bonds will accrue from the dated date of the Series 2000B-C Bonds at the rates set forth on the inside front cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), on June 1 and December 1 of each year, commencing June 1, 2001. The Series 2000B-C Bonds will be issued in the aggregate principal amount and will mature on the dates and in the amounts shown on the inside front cover (unless redeemed prior to maturity). The Series 2000B-C Bonds are issuable in denominations of $5,000 or integral multiples thereof (the "Authorized Denominations").

As long as no Event of Default (as defined in the Indenture) exists under the Indenture and so long as the Bond Insurer is not in payment default under the Financial Guaranty Insurance Policy, the Bond Insurer will be considered to be an owner of the Series 2000B-C Bonds and will have the same rights as owners of the Series 2000B-C Bonds. In the event that an Event of Default exists under the Indenture and so long as the Bond Insurer is not in payment default under such policy, the Bond Insurer will be deemed to be the sole owner of the Series 2000B-C Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the Series 2000B-C Bonds would be entitled to take pursuant to the Indenture.

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the NMFA believes to be reliable, but the NMFA takes no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2000B-C Bonds. One fully registered bond for each maturity, in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2000B-C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2000B-C Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2000B-C Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2000B-C Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2000B-C Bonds, except in the event that use of the book-entry system for the Series 2000B-C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2000B-C Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2000B-C Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2000B-C Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2000B-C Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

For every transfer and exchange of Series 2000B-C Bonds or an interest therein, the Beneficial Owner may be charged a service charge together with a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2000B-C Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2000B-C Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2000B-C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the Series 2000B-C Bonds will be made to DTC or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the NMFA, the Trustee or the Paying Agent on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the NMFA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the NMFA or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

So long as Cede & Co. or its registered assign is the registered owner of the Series 2000B-C Bonds, the NMFA and the Trustee will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the NMFA or the Trustee and the NMFA and the Trustee will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Series 2000B-C Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC, and neither NMFA nor the Trustee has responsibility for distributing such notices to the Beneficial Owners.

Neither the NMFA nor the Trustee have any responsibility or obligation to the DTC Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series 2000B-C Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2000B-C Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Series 2000B-C Bonds.

DTC may discontinue providing its services as securities depository with respect to the Series 2000B-C Bonds at any time by giving reasonable notice to the NMFA or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The NMFA may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed.

Redemption of the Series 2000B-C Bonds

Generally

The Series 2000B-C Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth below.

Optional Redemption by NMFA

The Series 2000B-C Bonds maturing on or after June 1, 2010, are subject to optional redemption at any time on and after June 1, 2009, in whole or in part, in such order of maturity as may be selected by the NMFA and by lot within each maturity of a series (if in part, in integral multiples of $5,000 of a series), at the option of the NMFA, upon notice as provided in the Indenture and at the redemption price of 100% of the principal amount of the Series 2000B-C Bonds to be redeemed, plus accrued interest to the redemption date, but without premium.

Mandatory Redemption Upon Prepayment under a 2000 Loan Agreement

Series 2000B Bonds

If a 2000 Governmental Unit whose 2000 Project was financed by the Series 2000B Bonds makes a Prepayment in whole or in part under its 2000 Loan Agreement, the Series 2000B Bonds which financed such 2000 Governmental Unit's 2000 Project are subject to mandatory redemption, in whole or in part, on the dates and upon Prepayment of 100% of the principal amount of the Series 2000B Bonds to be redeemed, plus accrued interest to the redemption date, but without premium. The maturity dates of the Series 2000B Bonds to be redeemed are to correspond to the principal amounts and due dates of the Principal Component of such Prepayment, and the Series 2000B Bonds to be redeemed within each maturity are to be selected by lot in such manner as the Trustee deems appropriate. *No 2000 Governmental Unit whose 2000 Project was financed by the Series 2000B Bonds shall have the option to make a Prepayment resulting in such a mandatory redemption prior to the date on which the Series 2000B Bonds are subject to optional redemption by the NMFA.*

Series 2000C Bonds

If a 2000 Governmental Unit whose 2000 Project was financed by the Series 2000C Bonds makes a Prepayment in whole or in part under its 2000 Loan Agreement, the Series 2000C Bonds which financed such 2000 Governmental Unit's 2000 Project are subject to mandatory redemption, in whole or in part, on any date upon Prepayment of an amount equal to a redemption price of 100% of the principal amount of the Series 2000C Bonds to be redeemed plus accrued interest to the redemption date. *A 2000 Governmental Unit whose 2000 Project was financed by the Series 2000C Bonds shall have the option to make a Prepayment resulting in such mandatory redemption at such redemption price at any time.* The maturity dates of the Series 2000C Bonds to be redeemed are to correspond to the principal amounts and due dates of the Principal Component of such Prepayment, and the Series 2000C Bonds to be redeemed are to correspond to the principal amounts and due dates of the Principal Component of such Prepayment, and the Series 2000C Bonds to be redeemed within each maturity are to be selected by lot in such manner as the Trustee deems appropriate.

General

The NMFA or the Trustee is to recalculate the Loan Payments due under any 2000 Loan Agreement in the case of a partial Prepayment of Loan Payments under such 2000 Loan Agreement in a manner which is consistent with the manner in which the Series 2000B-C Bonds are redeemed. For a listing of the 2000 Projects financed by each series of Series 2000B-C Bonds see "THE PLAN OF FINANCING - Governmental Units and the 2000 Projects" herein.

Mandatory Sinking Fund Redemption of the Series 2000C Bonds Maturing in 2020, 2025 and 2030

The Series 2000C Bonds maturing on June 1, 2020, are subject to mandatory sinking fund redemption, on each of the dates set forth below, at a price equal to the principal amount of each Series 2000C Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2019	$445,000
2020+	330,000

+Final Maturity

The Series 2000C Bonds maturing on June 1, 2025, are subject to mandatory sinking fund redemption, on each of the dates set forth below, at a price equal to the principal amount of each Series 2000C Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2021	$155,000
2022	165,000
2023	175,000
2024	185,000
2025+	195,000

+ Final Maturity

The Series 2000C Bonds maturing on June 1, 2030, are subject to mandatory sinking fund redemption, on each of the dates set forth below, at a price equal to the principal amount of each Series 2000C Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2026	$210,000
2027	220,000
2028	235,000
2029	250,000
2030+	265,000

+ Final Maturity

If less than all of the Series 2000C Bonds maturing on June 1, 2020, 2025 and 2030 then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA as follows: (i) if the Series 2000C Bonds are redeemed upon a Prepayment of all or a portion of a 2000 Loan Agreement relating to the Series 2000C Bonds, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments and (ii) if the Series 2000C Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

Notice of Redemption

In the event any of the Series 2000B-C Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2000B-C Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar at least 30 days, but not more than 60 days, prior to the date fixed for redemption.

In addition, further notice of any redemption of Series 2000B-C Bonds is to be given by the Trustee at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 2000B-C Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 2000B-C Bonds. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

If at the time of mailing of any notice of redemption there is not on deposit with the Trustee moneys sufficient to redeem all the Series 2000B-C Bonds called for redemption, such notice is to state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

A second notice of redemption is to be given, not later than 90 days subsequent to the redemption date, to Registered Owners of Series 2000B-C Bonds or portions thereof redeemed but who failed to deliver Series 2000B-C Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such Series 2000B-C Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 2000B-C Bonds.

Partially Redeemed Series 2000B-C Bonds

In case any Series 2000B-C Bond is redeemed in part, upon the presentation of such Series 2000B-C Bond for such partial redemption, the NMFA shall execute and the Trustee shall authenticate and deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the NMFA, a Series 2000B-C Bond or Series 2000B-C Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2000B-C Bond. A portion of any Series 2000B-C Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or an integral multiple thereof and in selecting portions of such Series 2000B-C Bonds for redemption, the Trustee will treat each such Series 2000B-C Bond as representing that number of Series 2000B-C Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 2000B-C Bonds by $5,000.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES B-C BONDS

Special, Limited Obligations

The Series 2000B-C Bonds are special, limited obligations of the NMFA payable solely from the Revenues, proceeds of the Series 2000B-C Bonds (until used as provided in the Indenture) and other moneys held in certain funds and accounts held by the Trustee under the Indenture (the "Trust Estate"). **The Series 2000B-C Bonds shall not constitute nor create a general obligation or other indebtedness of the State or (except as expressly provided in a Loan Agreement) any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 2000B-C Bonds shall be construed or interpreted as creating a delegation of governmental powers nor as a donation by or lending of the credit of the NMFA, the State or any Governmental Unit within the meaning of the Constitution of the State. THE NMFA HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2000B-C Bonds shall not constitute or give rise to a pecuniary liability on the part of the directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA shall impose a pecuniary liability or a charge upon the general credit or taxing power of the State or any political subdivision of the State.**

The NMFA is attempting to obtain rating agency and insurer consent to amend the Indenture to allow the NMFA to hold certain funds and transfer such funds to the Trustee prior to debt service payment dates. If the NMFA obtains rating agency and insurer consent to amend the Indenture, certain functions of the Trustee would be performed by the NMFA and certain sections of this Official Statement such as "Revenues" and "Flow of Funds" would be impacted.

Revenues

Generally

Revenues include (i) all revenues received or earned by the NMFA from or attributable to the Loan Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the funds and accounts created under the Indenture (except the Rebate Fund). All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement) shall be deposited at least once each year in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Loan Agreement, provided, however, that all earnings received on the Governmental Units' Accounts shall be allocated solely to the benefit of such Governmental Unit. As discussed under "Flow of Funds" below, revenues received from a Governmental Unit by the Trustee on behalf of the NMFA pursuant to a Loan Agreement are deposited in a separate account of the Debt Service Fund established for that Governmental Unit and are periodically transferred by the Trustee to the Bond Fund and used to make debt service payments on the Bonds. All revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax and from any Additional Pledged Loans are transferred to the Trustee and deposited in the Revenue Fund. Moneys in the Revenue Fund are used each Bond Fund Year to pay debt service on the Bonds to the extent that moneys in the several accounts of the Debt Service Fund are insufficient and to pay debt service on the portions of the Bonds used to finance grants. At the end of each Bond Fund Year moneys in the Revenue Fund in excess of the requirements for such moneys under the Indenture are transferred to the NMFA and are no longer part of the Trust Estate. For a more complete description of the funds and accounts into which Revenues are deposited, see "Flow of Funds" below under this caption, and "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts" in Appendix B hereto.

The Agreements and the Agreement Pledged Revenues

Generally. The Agreements consist of Loan Agreements and Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of their respective projects by the NMFA. (Under the Indenture "Agreements" also includes Grant Agreements, however the Grant Agreements contain no repayment provisions.) Under each Loan Agreement or issue of Securities, the respective Governmental Unit pledges to the NMFA for payment of all amounts due under their respective Agreements (i) revenues of specific enterprise systems or revenues attributable to certain taxes (such pledged revenues the "Agreement Pledged Revenues") and (ii) moneys in certain funds and accounts held by the Trustee. Each Governmental Unit executing a Loan Agreement or issuing Securities warrants to promptly pay principal of and interest on its loan from its Agreement Pledged Revenues and to continue such payments until its loan is paid in full.

Agreement Reserve Fund. Pursuant to the Indenture, an Agreement Reserve Fund has been created which will be held by the Trustee. Within such fund currently are accounts relating to those Governmental Units having a repayment obligation to the NMFA pursuant to a Loan Agreement or Securities for which the NMFA determined to require such accounts. Amounts in a Governmental Unit's account of the Agreement Reserve Fund will be withdrawn by the Trustee and deposited into that Governmental Unit's account of the Debt Service Fund to the extent of any shortfall in payments by such Governmental Unit under its Loan Agreement or Securities and any associated Additional Pledged Loans. **Amounts in a Governmental Unit's account of the Agreement Reserve Fund will not be used to cover shortfalls in payments of other Governmental Units and will not otherwise be available to defray deficiencies in the Bond Fund.** See "PLAN OF FINANCING - Sources and Uses of Funds" herein and "Flow of Funds" below under this caption.

For a discussion of the separate reserve account established within the Revenue Fund see "Flow of Funds" below under this caption.

Agreements with Governmental Units.

Each Governmental Unit which has entered into a Loan Agreement (or has issued Securities) has pledged specific Agreement Pledged Revenues to the repayment of its Loan. Financial information and operating data for the State Parks Division of the Energy, Minerals and Natural Resources Department of the State and the City of Albuquerque, New Mexico, the only Governmental Units which are expected to be providing more than 5% of the estimated annual Revenues in any year when Bonds will be Outstanding, is set forth in Appendix D hereto. Financial information and operating data are not set forth for any other Governmental Unit.

No Obligation of Governmental Units to Cover Shortfalls. A Governmental Unit is not required to make up any Loan Payment not paid in full by another Governmental Unit or to make up any insufficiency in the NMFA Portion of the Governmental Gross Receipts Tax.

The Governmental Gross Receipts Tax

Generally. Pursuant to Section 7-1-6.38, NMSA 1978, the NMFA is allocated 75% of all net receipts of a governmental gross receipts tax which is levied and collected pursuant to Section 7-9-4.3, NMSA 1978. For purposes of this Official Statement, the 75% net receipts which is allocated to NMFA is referred to as the "NMFA Portion of the Governmental Gross Receipts Tax." Under the Indenture, the NMFA Portion of the Governmental Gross Receipts Tax, and payments attributable to Additional Pledged Loans, if any, shall be paid when received by NMFA to the Trustee and shall be accounted for and maintained by the Trustee in the Revenue Fund created under the Indenture within the Public Project Revolving Fund and are available (i) to pay debt service on the Bonds to the extent Loan Payments paid by the Governmental Units pursuant to the Agreements are not sufficient to pay debt service when due and (ii) to pay debt service on the portions of the Bonds issued to fund Grants. See "Flow of Funds" under this caption for additional information on the use of moneys in the Revenue Fund.

Pursuant to Section 7-9-4.3, NMSA 1978, the governmental gross receipts tax is imposed on the governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except school districts and certain health care entities. See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Exhibit B hereto for certain information concerning the Revenue Fund and allocation of amounts therein to payment of principal and interest on the Bonds.

Governmental gross receipts are defined in Section 7-9-3.2, NMSA 1978, as all receipts of the State of New Mexico or any agency, institution, instrumentality or public subdivision thereof except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services, from:

(a) the sale of tangible personal property other than water from facilities open to the general public;

(b) the performance of or admissions to recreational, athletic or entertainment services or events in facilities open to the general public;

(c) refuse collection, refuse disposal or both;

(d) sewage services; and

(e) the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the State of New Mexico.

The definition of governmental gross receipts includes receipts from the sale of tangible personal property handled on consignment when sold from facilities open to the general public, but excludes cash discounts taken and allowed, governmental gross receipts tax payable on transactions reportable for the period and any type of time-price differential.

The governmental gross receipts tax was enacted into law and first imposed in 1991. It is imposed at a rate of 5% on the governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services. In addition, the governmental gross receipts tax is not imposed on: (i) receipts from transactions involving tangible personal property or services on which the gross receipts tax, compensating tax, motor vehicle excise tax, gasoline tax, special fuel tax, special fuel excise tax, oil and gas emergency school tax, resources tax, processors tax, service tax, or the excise tax imposed under Section 66-12-6.1 NMSA 1978, are imposed; (ii) receipts from the sale of gas or electricity by a utility owned or operated by a county, municipality or other political subdivision or on receipts from operation of a cable television system owned or operated by a municipality, because those receipts are subject to the regular gross receipts tax under Section 7-9-13, NMSA 1978, or (iii) receipts from selling livestock and receipts of growers, producers, trappers or nonprofit marketing associations from selling livestock, live poultry, unprocessed agricultural products, hides or pelts.

Deductions from the governmental gross receipts tax include: (i) certain receipts from selling tangible personal property to the United States or the State or any governmental unit or subdivision, agency, department or instrumentality thereof; (ii) certain receipts from selling tangible personal property to an Indian tribe, nation or pueblo or any governmental subdivision, agency, department or instrumentality thereof for use on Indian reservations or pueblo grants; (iii) certain receipts from the sale of tangible personal property to a person engaged in the business of manufacturing and receipts from selling tangible personal property or licenses if the sale is made to a person who delivers a non-taxable transaction certificate to the seller; (iv) receipts from transactions in interstate commerce; (v) receipts from selling a service for resale if the sale is made to a person who delivers a nontaxable transaction certificate; (vi) certain receipts from selling tangible personal property to entities exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended or renumbered, if the sale is made to an organization that delivers a nontaxable transaction certificate to the seller; (vii) refunds and allowances made to buyers or amounts written off the books as an uncollectible debt by a person reporting governmental gross receipts tax on an accrual basis; (viii) receipts from selling prosthetic devices if the sale is made to a person who is licensed to practice medicine, osteopathic medicine, dentistry, podiatry, optometry, chiropractic or professional nursing and who delivers a nontaxable transaction certificate to the seller; and (ix) receipts from the sale of prescription drugs.

Collection and Distribution Information. Governmental agencies are treated as taxpayers under the provisions of the Tax Administration Act, Section 7-1-1, et seq., NMSA 1978, and are responsible for paying the governmental gross receipts tax to the New Mexico Taxation and Revenue Department in accordance with the State's Tax Administration Act. Collections are first deposited into a tax administration suspense fund for the purpose of making disbursements for refunds, among other things. On the last day of each month, the balance in the suspense fund is identified by tax source and distributed to the appropriate municipalities or state agencies, including the NMFA. Collection of governmental gross receipts tax is administered by the New Mexico Taxation and Revenue Department. Governmental gross receipts taxes are to be paid on or before the 25th day of the month following the month in which the taxable event occurs.

Set forth below is information from the New Mexico Taxation and Revenue Department concerning collections of the governmental gross receipts tax for the fiscal years 1995-1996 through 1999-2000. There can be no assurance that governmental gross receipts tax collections will continue to grow at historical rates.

GOVERNMENTAL GROSS RECEIPTS TAXES COLLECTIONS
Fiscal Years 1995 - 1996 through 1999-2000

	Fiscal Year 1995 – 1996	Fiscal Year 1996 – 1997	Fiscal Year 1997 – 1998	Fiscal Year 1998 – 1999	Fiscal Year 1999-2000
Total Net Receipts	$16,059,454	$16,378,444	$16,859,875	$18,594,143	$19,372,892
NMFA Portion of the Governmental Gross Receipts Tax	$12,044,591	$12,283,833	$12,644,906	$13,945,607*	$14,529,669**

*The actual taxes collected for NMFA by the New Mexico Taxation and Revenue Department were approximately $1.2 million higher than reported in the audited financial statements for the 1998-1999 fiscal year. The audited financial statements do not include this higher amount because this additional amount was not received by NMFA within 60 days of its year end, and therefore not included as revenue in accordance with Generally Accepted Accounting Principles.

**With the exception of Fiscal Year 1999-2000 and as indicated in the prior footnote, all reported receipts of the NMFA Portion of the governmental gross receipts tax are based on amounts reported in the NMFA's audited financial statements. Fiscal Year 1999-2000 receipts are not the subject of a completed audit, and were furnished by the NMFA.

Set out below is information concerning the top nine payers of the governmental gross receipts tax for fiscal years 1997-1998 through 1999-2000. Such information is not publicly available from the State and has instead been obtained from each individual entity, and the NMFA does not guaranty the accuracy of any such information.

Nine Largest Payers of
Governmental Gross Receipts Taxes
Fiscal Years 1997-1998 through 1999-2000

Entity	Fiscal Year 1997-1998 Amount Paid	Fiscal Year 1997-1998 % of Total GGRT of All Entities in NM	Fiscal Year 1998-1999 Amount Paid	Fiscal Year 1998-1999 % of Total GGRT of All Entities in NM	Fiscal Year 1999-2000 Amount Paid	Fiscal Year 1999-2000 % of Total GGRT of All Entities in NM
City of Albuquerque	$5,843,771	34.55%	$6,934,802	37.30%	$6,679,102	34.48%
City of Santa Fe	1,338,922	7.94%	1,522,426	8.19%	1,847,947	9.54%
University of New Mexico	1,245,428	7.39%	1,233,416	6.63%	1,410,509	7.28%
City of Las Cruces	770,115	4.57%	858,575	4.62%	925,253	4.78%
City of Rio Rancho	617,492	3.66%	634,870	3.41%	628,884	3.25%
City of Farmington	608,518	3.61%	636,834	3.42%	637,007	3.29%
City of Roswell	517,105	3.07%	546,526	2.94%	523,072	2.70%
City of Gallup	249,716	1.48%	-----	----	----	----
County of Los Alamos	-----	-----	378,144	2.03%	376,144	1.94%
Total	$11,191,067	66.27%	$12,745,593	68.55%	$13,027,918	67.25%

Source: Individual entities.

Additional Pledged Loans

Subject to the approval of the State Legislature, the NMFA may make loans from or purchase securities with available funds in the Public Project Revolving Fund. At its option, the NMFA may designate such loans or securities as Additional Pledged Loans (as hereinafter defined) and upon such designation the principal and interest payments on such loans or securities become pledged by the NMFA to the payment of Bonds. See "Flow of Funds," below under this caption. For the total amount of outstanding Additional Pledged Loans, as hereinafter defined, see "THE PLAN OF FINANCING - Governmental Units and the 2000B-C Project."

Flow of Funds

The Indenture creates a Revenue Fund, a Bond Fund, a Debt Service Fund with separate accounts for each Governmental Unit receiving a Loan, and an Agreement Reserve Fund with a separate account, if required, for each Governmental Unit receiving a Loan that has a reserve requirement. The repayment obligations of those Governmental Units receiving Additional Pledged Loans who have also entered into Loan Agreements with or issued Securities purchased by the NMFA are on parity with amounts due with respect to such Loan Agreements or Securities.

Flow of Funds Under General Indenture

All Loan Payments and other amounts paid by Governmental Units pursuant to the Loan Agreements and Securities are to be paid directly to the Trustee on debt service payment dates, and the Trustee is to deposit all such payments immediately upon receipt thereof, as follows:

> First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan.
>
> Second: to the related Account, if any, in the Agreement Reserve Fund to the extent necessary to cause the balance in said Account to equal the Agreement Reserve Requirement, if any, of such Account.
>
> Third: to the payment of Program Costs (to the extent allocable to such Agreement).

On the fifth day preceding a Loan Payment Date (or, if such fifth day is not a Business Day, on the Business Day next preceding such fifth day), if the amount on deposit in any Governmental Unit's Account of the Debt Service Fund is insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, the Trustee is to transfer from the related Agreement Reserve Account, if any, to that Governmental Unit's Account of the Debt Service Fund, an amount sufficient, together with amounts in such Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date.

On each Interest Payment Date for the Bonds, the Trustee is to transfer moneys in the respective Accounts of the Debt Service Fund to the Bond Fund to pay the interest on the related Bonds becoming due on such Interest Payment Date and to pay the principal of each related Bond due at maturity or by prior redemption, to the extent amounts are on deposit therein for such purpose. At least once each year, the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, if any, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided however, that with respect to Loans relating to the Series 1997 Bonds, the Series 1999 A-D Bonds or the Series 2000B-C Bonds any such excess shall be distributed as follows: (a) any excess attributable to earnings on funds and accounts for a Governmental Unit shall be returned to such Governmental Unit or shall be credited to the Loan Payments next coming due under such Governmental Unit's Agreement and (b) any excess attributable to the difference in interest rates on such Governmental Unit's Loan and the Series 1997 Bonds, the Series 1999A-D Bonds and the Series 2000B-C Bonds, as applicable, shall be deposited into the Revenue Fund; and provided further, however, that with respect to the Series 2000A Loan Agreement, any such excess shall be disbursed as described under "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Application of Loan Payments" in Appendix B hereto.

The above provisions, with respect to the flow of funds, do not apply to moneys provided pursuant to the 2000A Loan Agreement. For a description of the flow of funds with respect to the 2000A Loan

Agreement, see "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Application of Loan Payments" in Appendix B hereto.

Revenue Fund

During each Bond Fund Year, all Revenues constituting receipts from the NMFA Portion of the Governmental Gross Receipts Tax and principal and interest payments from Additional Pledged Loans are to be paid when received by the NMFA to the Trustee and shall be accounted for and maintained by the Trustee in the Revenue Fund. On each Interest Payment Date, the Trustee (except as otherwise provided in a Supplemental Indenture) is to transfer from the Revenue Fund (including any amounts in the separate account described in the next paragraph) to the Bond Fund (i) an amount equal to the principal and interest due on such Interest Payment Date on the portion of any Bonds, the proceeds of which were used to make Grants and (ii) if the amounts on deposit in the Bond Fund are insufficient for payments coming due with respect to the Bonds on such Interest Payment Date, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the principal and interest due on the Bonds on such Interest Payment Date.

At the conclusion of each Bond Fund Year, the Trustee is to retain in the Revenue Fund, in a separate account to be created therein (to the extent of amounts remaining in the Revenue Fund), the following:

(i) an amount equal to any deficiency in any account in the Agreement Reserve Fund;

(ii) with respect to Agreements for which (A) no Agreement Reserve Account was created in the Agreement Reserve Fund and (B) a default in the payment of principal or interest under such Agreement has occurred and is continuing, an amount equal to the least of (x) 10% of the proceeds of such Agreement, (y) maximum annual debt service on such Agreement and (z) 1.25 times average annual debt service on such Agreement; and

(iii) with respect to Bonds issued to finance Grants and for which no other debt service reserve fund has been created, an amount equal to the least of (A) 5% of the proceeds of the Bonds issued to finance such Grant, (B) one-half of maximum annual debt service on the Bonds issued to finance such Grants and (C) .625 times average annual debt service on the Bonds issued to finance such Grant.

Pursuant to the Indenture, the NMFA is not required to contribute any amounts to fund the retention described in the preceding paragraph other than from amounts on deposit in the Revenue Fund at the end of each Bond Fund Year, and no default under the Indenture occurs solely by reason of any insufficiency of funds remaining in the Revenue Fund to fund such retention.

After making the foregoing deposits, at the conclusion of each Bond Fund Year, and after making the payments required by the Indenture during such Bond Fund Year, the Trustee is to transfer the balance on deposit in the Revenue Fund to the NMFA, and the NMFA may use such balance for:

(i) Public Project Revolving Fund purposes;

(ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund;

(iii) refinancing, refunding, purchasing or advance refunding of any Bonds; or

(iv) any other lawful purpose.

The balance so transferred to NMFA is no longer pledged to the payment of debt service on the Bonds.

Additional Bonds

Generally

Additional Bonds or other indebtedness, bonds or notes of the NMFA payable on a parity with the Bonds out of the Trust Estate may be issued or incurred, only if certain requirements have been met, including the following:

(a) NMFA must deliver to the Trustee a Cash Flow Statement, taking into account the issuance of the Additional Bonds or other indebtedness, bonds or notes. The requirements of the Cash Flow Statement are set forth under "Cash Flow Statement," below.

(b) All payments required by the Indenture to be made into the Bond Fund must have been made in full.

(c) The proceeds of the Additional Bonds or other indebtedness, bonds or notes must be used (i) to refund Bonds issued hereunder or other obligations of the NMFA (including the funding of necessary reserves and the payment of costs of issuance) or (ii) to make additional Loans or Grants or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance).

(d) No Event of Default shall have occurred and be continuing under the Indenture, except that the foregoing provisions of this paragraph (d) shall not preclude the issuance of Additional Bonds or other indebtedness, bonds or notes if (i) the issuance of such Additional Bonds or other indebtedness, bonds or notes otherwise complies with the requirements of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of the Additional Bonds or other indebtedness, bonds or notes and the application of the proceeds thereof.

Any of the foregoing requirements may be revised or deleted with written evidence from the Rating Agency to the effect that such revision or deletion will not result in the rating on the Outstanding Bonds being lowered.

Cash Flow Statement

Pursuant to the Indenture, "Cash Flow Statement" means a certificate of NMFA:

(a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate, the following:

(A) the amount of the NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(B) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(C) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding; and

(b) showing that in each such Bond Fund Year the aggregate of the amount set forth in clause (A) of this definition divided by 1.35, plus the aggregate amount set forth in clause (B) of this definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of this definition. For purposes of the foregoing definition, the following assumptions apply:

(i) The NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period during the 24 months next preceding the delivery of the Cash Flow Statement;

(ii) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(iii) Loans and Additional Pledged Loans will be assumed to remain in their current category designations throughout the period projected in the Cash Flow Statement.

For purposes of the Indenture and the Cash Flow Statement, "Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

Category of Loans and Additional Pledged Loans	Applicable Percentage
Category I	100%
Category II	80%
Category III	50%
Category IV	0%

Category I Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the third highest full rating category or higher by the Rating Agency.

Category II Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

Category III Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

Category IV Loans and Additional Pledged Loans are all Non-Performing Loans and Additional Pledged Loans, Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been replenished in accordance with the related Agreement, and Loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agency.

"Non-Performing Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a covenant default) or under which a delinquency exists in payments of principal or interest thereunder.

"Rating Agency" means Moody's Investors Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

Pursuant to the Indenture, at the time of issuance of each series of Bonds, each of the Agreements executed in connection with such issuance is required to be submitted to the Rating Agency for assignment of a designation or rating or shall be designated in Category IV by the NMFA without submission to the Rating Agency. In addition, each Additional Pledged Loan is required to be submitted to the Rating Agency for assignment of a designation or a rating or shall be designated in Category IV by NMFA without submission to the Rating Agency. At any time (including upon issuance of Additional Bonds), the category assigned to an Agreement or to Additional Pledged Loans may be revised by the Rating Agency.

Of the Agreements submitted to the Rating Agency to date, \$49.0 million have been designated Category I, \$42.5 million have been designated Category II and \$6.1 million have been designated Category III.

The formula described above may also be summarized as follows (where A = NMFA Portion of Governmental Gross Receipts Tax, B = Assumed Repayments of Loans and Additional Pledged Loans and C = Aggregate Annual Debt Service on all Bonds Outstanding):

$$(A \div 1.35) + B > C$$

No Senior Lien Obligation

No additional indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of the Revenues for payment of the Bonds shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds.

Additional Parity Obligations of Governmental Units

For a description of the restrictions, if any, governing the issuance by the 2000 Governmental Units of additional obligations on a parity with the obligations of the 2000 Governmental Units to make payments under the 2000 Loan Agreements, see "CERTAIN INFORMATION CONCERNING THE GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES" in Appendix D. For a description of the restrictions, if any, governing the issuance by certain other Governmental Units of additional parity obligations, see "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D to the 1995 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENTAL UNITS" in Appendix D to the 1996 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1997 GOVERNMENTAL UNITS" in Appendix D to the 1997 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1999 GOVERNMENTAL UNITS" in Appendix D to the 1999 Official Statement and "CERTAIN INFORMATION CONCERNING THE COUNTY" in Appendix D to the 2000A Official Statement, each of which is on file with the MSRB.

Outstanding Parity Bonds

The following series of Public Project Revolving Fund Revenue Bonds are currently outstanding.

Series	Original Principal Amount Issued	Aggregate Principal Amount Outstanding
1995A	$41,230,000	$32,735,000
1996A	17,625,000	15,430,000
Taxable 1996B	3,500,000	795,000
1997	8,585,000	7,695,000
1999A	13,135,000	11,980,000
1999B	3,025,000	2,245,000
Taxable 1999C	2,265,000	1,980,000
Taxable 1999D	4,875,000	4,390,000
2000A	4,715,000	4,675,000
TOTAL	$98,955,000	$81,925,000

The Series 1995A Bonds, the Series 1996A Bonds, the Taxable Series 1996B Bonds, the Series 1997 Bonds, the Series 1999A Bonds, the Series 1999B Bonds, the Taxable Series 1999C Bonds, the Taxable Series 1999D Bonds, and the Series 2000A Bonds are the only Outstanding Parity Bonds of the NMFA (collectively the "Outstanding Parity Bonds"). See "ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE RATIOS" for Debt Service Requirements on the Outstanding Parity Bonds and aggregate payments under Agreements relating to the Bonds. See "THE PLAN OF FINANCING - Governmental Units and the 2000 Projects" for a listing of the ten Governmental Units comprising the highest percentage of estimated annual revenues.

Supplemental Indentures and Amendments to Loan Agreements; Rating Agency Discretion

Pursuant to the Indenture, the NMFA and the Trustee may, without the consent of or notice to any of the Owners of the Bonds, enter into an indenture or indentures supplemental to the Indenture in order to make certain amendments or changes to the Indenture, including any amendment with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds, following such amendment, being lower than the rating on the Bonds immediately prior to such amendment. See "APPENDIX B - EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto.

In addition, the NMFA with the consent of the Trustee and the related Governmental Unit may, without the consent of any Owners of the Bonds, amend any Agreement for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred in the Indenture to the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained in any agreement or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgment of the Trustee shall not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

BOND INSURANCE

The following information has been furnished by MBIA Insurance Corporation (the "Insurer" or "Bond Insurer") for use in this Official Statement. Reference is made to Appendix F for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the NMFA to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2000B-C Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2000B-C Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2000B-C Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2000B-C Bonds upon tender by an owner thereof, or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Series

2000B-C Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Series 2000B-C Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee or any owner of a Series 2000B-C Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are the due. Upon presentment and surrender of such Series 2000B-C Bonds or presentment of such other proof of ownership of the Series 2000B-C Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2000B-C Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Series 2000B-C Bonds in any legal proceeding related to payment of insured amounts on the Series 2000B-C Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Trustee payment of the insured amounts due on such Series 2000B-C Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidy of MBIA, Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, and changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1999, the Insurer had admitted assets of \$7.0 billion (audited), total liabilities of \$4.6 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2000, the Insurer had admitted assets of \$7.3 billion (unaudited), total liabilities of \$4.9 billion (unaudited) and total capital and surplus of \$2.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of the Company is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa".

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the Insurer "AAA".

Fitch IBCA, Inc. rates the financial strength of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2000B-C Bonds, and such ratings may be subject to revision or withdrawal at any time by the ratings agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2000B-C Bonds. The Insurer does not guaranty the market price of the Series 2000B-C Bonds nor does it guaranty that the ratings on the Series 2000B-C Bonds will not be revised or withdrawn.

THE PLAN OF FINANCING

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series 2000B-C Bonds, other than accrued interest to be received in connection with the sale of the Series 2000B-C Bonds are set forth in the following tables. Accrued interest from September 1, 2000, will be deposited in the Bond Fund.

Sources and Uses of Funds

SOURCES:		
Series 2000B Bond Proceeds	$7,670,000	
Series 2000C Bond Proceeds	28,850,000	$36,520,000
Funds held for Certain 2000 Governmental Units' Accounts within Agreement Reserve Fund		1,695,546
Net Original Issue Premium (Discount) on Series 2000B-C Bonds		(105,621)
TOTAL SOURCES:		$38,109,925
USES:		
NMFA Reimbursement (1)		$35,872,474
Deposits to Certain 2000 Governmental Units' Accounts within Agreement Reserve Fund (2)		1,695,546
Costs of Issuance (3)		541,905
TOTAL USES:		$38,109,925

(1) The Series 2000C Bond Proceeds will be paid to NMFA to reimburse it for advances, in whole or in part, made by it for the deposits listed under the Uses caption described in this Table and will also be used to pay a portion of the costs of issuance. Advances made to the Program Fund have been or will be used to pay all or a portion of the costs of the 2000 Projects. See "The 2000 Governmental Units and the 2000 Projects" under this caption and "EXTRACT OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts" in Appendix B hereto.

(2) These amounts are to be used to defray deficiencies in the respective accounts of the 2000 Governmental Units within the Debt Service Fund. Such amounts will *not* be otherwise available to defray deficiencies in the Bond Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000 BONDS – Flow of Funds".

(3) Includes legal and accounting fees, printing, rating fees, bond insurance premium, Underwriters' discount and other miscellaneous costs. See "UNDERWRITING" herein.

Governmental Units and the 2000 Projects

2000 Governmental Units

The following table lists the 2000 Governmental Units which received advances from NMFA for the financing of their respective 2000 Projects which advances will be reimbursed from the proceeds of the Series 2000B-C Bonds.

The 2000 Governmental Units and the 2000 Projects

Series 2000B Bonds

2000 Governmental Unit	2000 Project	Loan Amount
Eagle Nest	Fire Truck	$207,778
City of Portales	Municipal Building	561,112
Roosevelt	Hospital/Medical Building	6,929,469

Series 2000C Bonds

2000 Governmental Unit	2000 Project	Loan Amount
Chaves County	Road Equipment - Phase 2	$1,816,667
City of Gallup	2 Pumper Apparatus	488,889
City of Gallup	Santa Fe #17 Water Well	1,672,223
McKinley County	Computer Equipment	499,640
McKinley County	Law Enforcement Vehicles	487,625
Alamogordo	Fire Station	572,223
Tularosa	Water Well	405,405
City of Santa Fe	SCADA	472,223
Ruidoso	Police Building	1,472,459
City of Santa Fe	Water System Equipment	500,000
City of Raton (PSC)	Equipment Project	394,376
Lincoln County	Detention Center	3,968,458
Los Alamos County	Road/Building Project	3,959,444
City of Albuquerque	SAD 226	11,568,376
Group Participants(1)	Fire and Law Enforcement Projects	1,700,147

(1) Group participants include: Magdalena, Roy, San Miguel County, Sierra-Caballo, Questa, Colfax-Ute Park, Harding-F.D. #1, City of Elephant Butte, Doña Ana-Organ East Mesa, Lincoln-White Oaks, Lincoln-Bonito, Chaves-Berrendo, San Ysidro, Santa Rosa, Doña Ana-Chaparral, Luna-Sunshine, Socorro-Abeytas, Chaves-Rio Felix, Angel Fire, Cibola County-Bluewater, San Miguel-Sapello/Rociada, Colfax-Miami, Eunice and Santa Rosa.

Generally

The following table lists the ten Governmental Units comprising the highest percentage of estimated annual Revenues that have entered into Agreements with the NMFA for Projects that have been financed with Bonds. The NMFA has $81,925,000 of Parity Bonds outstanding and, upon issuance, will have $36,520,000 of Series 2000B-C Bonds outstanding.

Currently Outstanding Obligations of the Ten Governmental Units Comprising the Highest Percentage of Estimated Annual Revenues

Borrower	Amount of Outstanding Obligations (1)	Est. % of FY 2001 Revenues	Final Maturity	Revenue Pledge
Energy, Minerals & Natural Resources Department	15,388,510	5.66%	2018	EMNRD portion of GGRT
City of Albuquerque	11,568,376	1.00%(2)	2011	Special Assessment Payments
NW Solid Waste	8,414,263	3.35%	2018	Solid Waste system net revenues, EGRT
Roosevelt County	6,929,469	2.35%	2020	County Hospital GRT
City of Clovis	4,985,306	2.04%	2013	Solid Waste system net revenues, IGRT, EGRT
Valencia County	4,675,000	2.77%	2009	County Corrections GRT and County GRT
City of Las Vegas	4,673,245	1.80%	2015	Water/solid waste system revenues
Lincoln County	3,968,458	0.94%	2031	1/8% County GRT
City/County of Los Alamos	3,959,444	1.74%	2011	State-Shared GRT
Lee Acres/W. Hammond	3,106,800	1.06%	2018	Water system net revenues

(1) Includes amount of additional pledged Outstanding Obligations.
(2) In subsequent fiscal years, revenues from the City of Albuquerque are expected to increase to approximately 6.7%.

Source: Western Financial Group, LLC

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service (excluding any mandatory prior redemptions) payable for the Series 2000B-C Bonds for each fiscal year through their final maturity dates.

Debt Service for the Series 2000B-C Bonds

Fiscal Year	Principal(1)	Interest(2)	Annual Debt Service Requirements
2001	$1,570,000	$1,350,128	$2,920,128
2002	2,300,000	1,730,555	4,030,555
2003	2,885,000	1,626,418	4,511,418
2004	2,765,000	1,494,610	4,259,610
2005	2,280,000	1,366,373	3,646,373
2006	2,290,000	1,260,053	3,550,053
2007	2,330,000	1,152,265	3,482,265
2008	2,375,000	1,041,590	3,416,590
2009	2,430,000	926,748	3,356,748
2010	2,480,000	811,143	3,291,143
2011	1,685,000	687,853	2,372,853
2012	2,325,000	603,973	2,928,973
2013	730,000	484,820	1,214,820
2014	770,000	447,110	1,217,110
2015	810,000	406,568	1,216,568
2016	860,000	363,105	1,223,105
2017	905,000	316,775	1,221,775
2018	965,000	267,313	1,232,313
2019	1,010,000	214,353	1,224,353
2020	700,000	157,913	857,913
2021	155,000	118,753	273,753
2022	165,000	109,840	274,840
2023	175,000	100,353	275,353
2024	185,000	90,290	275,290
2025	195,000	79,653	274,653
2026	210,000	68,440	278,440
2027	220,000	56,260	276,260
2028	235,000	43,500	278,500
2029	250,000	29,870	279,870
2030	265,000	15,370	280,370

(1) Payable on June 1 of each year. Includes mandatory sinking fund payments.
(2) Payable on June 1 and December 1, commencing June 1, 2001.

Source: Western Financial Group, LLC

The following table shows estimated available Revenues, total debt service requirements for the Series 2000B-C Bonds and the Outstanding Parity Bonds and the resulting estimated annual coverage ratios. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

Annual Debt Service Requirements and Coverage Ratios

Fiscal Year	Estimated Fiscal Year 1999-2000 Collections of NMFA Portion of Gov'tl Gross Receipts Tax(1)	Aggregate Payments Under Agreements(2)(3)	Additional Pledged Loan Repayments(4)	Estimated Total Revenues	Total Debt Service Requirements for the 2000B-C Bonds	Total Debt Service Requirements for the Outstanding Parity Bonds	Total Debt Service Requirements for the 2000B-C and the Outstanding Parity Bonds	Estimated Annual Coverage Ratios(5)
2001	$14,529,669	$8,295,697	$1,502,190	$24,327,556	$2,920,128	$7,690,097	$10,610,225	2.29
2002	14,529,669	9,412,942	1,533,853	25,476,464	4,030,555	6,835,923	10,866,478	2.34
2003	14,529,669	9,906,310	1,318,864	25,754,843	4,511,418	6,839,488	11,350,906	2.27
2004	14,529,669	9,643,081	1,306,416	25,479,166	4,259,610	6,832,551	11,092,161	2.30
2005	14,529,669	9,044,210	1,066,991	24,640,870	3,646,373	6,845,919	10,492,292	2.35
2006	14,529,669	8,933,508	1,038,347	24,501,524	3,550,053	6,829,044	10,379,097	2.36
2007	14,529,669	8,884,036	947,535	24,361,240	3,482,265	6,844,071	10,326,336	2.36
2008	14,529,669	8,816,189	932,176	24,278,034	3,416,590	6,849,711	10,266,301	2.36
2009	14,529,669	7,887,879	894,371	23,311,919	3,356,748	5,974,874	9,331,622	2.50
2010	14,529,669	7,358,356	817,354	22,705,379	3,291,143	5,517,179	8,808,322	2.58
2011	14,529,669	6,447,069	746,938	21,723,676	2,372,853	5,520,251	7,893,104	2.75
2012	14,529,669	6,993,195	724,694	22,247,558	2,928,973	5,507,903	8,436,876	2.64
2013	14,529,669	5,297,144	726,651	20,553,464	1,214,820	5,515,665	6,730,485	3.05
2014	14,529,669	4,675,819	722,687	19,928,175	1,217,110	4,907,310	6,124,420	3.25
2015	14,529,669	4,651,113	719,655	19,900,437	1,216,568	4,888,603	6,105,171	3.26
2016	14,529,669	3,300,015	612,956	18,442,640	1,223,105	3,092,955	4,316,060	4.27
2017	14,529,669	3,004,626	580,970	18,115,265	1,221,775	1,755,123	2,976,898	6.09
2018	14,529,669	2,374,905	376,245	17,280,819	1,232,313	1,110,678	2,342,991	7.38
2019	14,529,669	1,355,887	377,121	16,262,677	1,224,353	123,975	1,348,328	12.06
2020	14,529,669	1,173,638	271,509	15,974,816	857,913	122,938	980,851	16.29
2021	14,529,669	397,875	174,981	15,102,525	273,753	121,613	395,366	38.20
2022	14,529,669	276,681	168,008	14,974,358	274,840	–	274,840	54.48
2023	14,529,669	277,124	166,249	14,973,042	275,353	–	275,353	54.38
2024	14,529,669	277,594	164,485	14,971,747	275,290	–	275,290	54.39

Fiscal Year	Estimated Fiscal Year 1999-2000 Collections of NMFA Portion of Gov't Gross Receipts Tax(1)	Aggregate Payments Under Agreements(2)(3)	Additional Pledged Loan Repayments(4)	Estimated Total Revenues	Total Debt Service Requirements for the 2000B-C Bonds	Total Debt Service Requirements for the Outstanding Parity Bonds	Total Debt Service Requirements for the 2000B-C and the Outstanding Parity Bonds	Estimated Annual Coverage Ratios(5)
2025	14,529,669	278,091	–	14,807,760	274,653	–	274,653	53.91
2026	14,529,669	278,617	–	14,808,286	278,440	–	278,440	53.18
2027	14,529,669	279,175	–	14,808,844	276,260	–	276,260	53.60
2028	14,529,669	279,767	–	14,809,436	278,500	–	278,500	53.18
2029	14,529,669	280,393	–	14,810,062	279,870	–	279,870	52.92
2030	14,529,669	281,057	–	14,810,726	280,370	–	280,370	52.83

(1) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS-Revenues-The Governmental Gross Receipts Tax." Future collections of the NMFA Portion of the Governmental Gross Receipts Tax are based on unaudited fiscal year 1999-2000 collections provided by the NMFA and are subject to change.

(2) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS - Revenues - The Agreements and the Agreement Pledged Revenues." Includes 2000 Loan Agreements and Agreements entered into in connection with the Outstanding Parity Bonds.

(3) The City of Santa Fe advance refunded its Loan and will prepay its obligations in full on the optional redemption date in Fiscal Year 2005. The calculations in this column do not include Prepayment of Loan by City of Santa Fe in Fiscal Year 2005.

(4) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS-Revenues-Additional Pledged Loans." Includes outstanding Additional Pledged Loans.

(5) The Estimated Annual Coverage Ratios are calculated using unaudited fiscal year 1999-2000 governmental gross receipts tax collections provided by the NMFA.

Source: Western Financial Group, LLC

NEW MEXICO FINANCE AUTHORITY

Generally

The NMFA is a public body politic and corporate and governmental instrumentality of the State. It was created in 1992 pursuant to the Act for the purpose of coordinating the planning and financing of State and local public projects, to provide for long-term planning and assessment of State and local capital needs and to improve cooperation among the executive and legislative branches of State government and local governments in financing public projects. Pursuant to the Act, the NMFA and its corporate existence shall continue until terminated by law, provided that no such law shall take effect so long as the NMFA has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The NMFA is governed by a Board of Directors and currently employs approximately twelve persons.

Powers

Pursuant to the Act, the NMFA is granted all powers necessary and appropriate to carry out and effectuate its public and corporate purposes, including but not limited to the following powers: to sue or be sued; to adopt, subject to the review and approval of the NMFA oversight committee, such regulations as are necessary and appropriate to implement the provisions of the Act; to make, enter into and enforce all contracts, agreements and other instruments necessary, convenient or desirable in the exercise of its powers and functions and for the purposes of the Act; to acquire, construct, hold, improve, mortgage, sell, lease, convey or dispose of real and personal property for its public purposes; to make loans and purchase securities and contract to make loans and purchase securities; to make grants to qualified entities to finance public projects; to procure insurance to secure payment on any loan, lease or purchase payments owed to the NMFA by a qualified entity in such amounts and from such insurers, including the federal government, as it may deem necessary or desirable, and to pay any premiums for such insurance; to fix, revise from time to time, charge and collect fees and other charges in connection with the making of loans and any other services rendered by the NMFA; and to borrow money and to issue bonds.

Organization and Governance

The Board of Directors of the NMFA is composed of 12 members, seven of which are ex-officio members designated in the Act and five of which are appointed by the Governor with the advice and consent of the State senate. The seven designated members include five ex-officio State officials, of which four are cabinet-level secretaries (the secretary of finance and administration, the secretary of economic development, the secretary of energy, minerals and natural resources, and the secretary of environment), and one is a State agency official (the State investment officer), and two are the chief executives of state-wide associations (the executive director of the State municipal league and the executive director of the State association of counties). One of the five members appointed by the Governor must be the chief financial officer of a State higher educational institution and the remaining four members appointed by the Governor are members of the public. Each of the appointed members of the NMFA serve staggered four-year terms, so that the term of at least one member expires on January 1 of each year. Vacancies are filled by appointment by the successor for the remainder of the unexpired term. Any member is eligible for reappointment.

The Act also provides for the creation of a legislative oversight committee, whose membership is determined by the State Legislative Council. The oversight committee is required to monitor and oversee the operation of the NMFA, and in that connection it: meets on a regular basis to receive and review reports from the NMFA on implementation of the provisions of the Act and to review and approve regulations proposed for adoption; monitors and provides assistance and advice on the public project financing program of the NMFA; oversees and monitors State and local government capital planning and financing; provides advice and assistance to the NMFA and cooperates with the executive branch of State government and local governments on planning, setting priorities for and financing of State and local capital projects; undertakes an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing State and local government capital financing in the State; and reports its findings and recommendations, including recommended legislation or necessary changes, to the Governor and to each session of the legislature. The report and proposed legislation is required to be made available on or before December 15 each year.

Governing Board and Staff Members

Current members of the Board of Directors of the NMFA, and their respective occupations, are set out below:

New Mexico Finance Authority
Board of Directors

Name	Occupation	Term Expires
Phil Archibeck(1)	State Investment Officer, State Investment Council	not applicable
Danny K. Earp(2)	Chief Financial Officer, Eastern New Mexico University	January 1, 2003
William F. Fulginiti (1) (Vice Chairman)	Director, New Mexico Municipal League	not applicable
John Garcia (1)	Secretary, Economic Development Department, State of New Mexico	not applicable
Robert M. Goodman (2) (Chairman)	Chief Executive Officer, Capital Bank	January 1, 2001
Harold G. Field, II (1)	Secretary, Department of Finance and Administration, State of New Mexico (3)	not applicable
Peter Maggiore (1)	Secretary, Environment Department, State of New Mexico	not applicable
Jon M. Brown (2)	Senior Vice-President, FirstBank	January 1, 2004
Domingo Sanchez, III (1)	Executive Director, New Mexico Association of Counties	not applicable
Jennifer Salisbury (1)	Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
H. Dan Shannon (Secretary)	Executive Vice-President, Rio Rancho Branch, Wells Fargo Bank of New Mexico, N.A.	January 1, 2002
Mary L. Thompson(2)	Realtor	January 1, 2004

(1) Ex-Officio Member.
(2) Appointed by the Governor of the State to four-year term.
(3) Appointment needs to be confirmed by the Senate of the State of New Mexico.

Set out below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 2000B-C Bonds and the administration of the public project revolving fund program.

Tom K. Pollard, Ph.D., Executive Director. Dr. Pollard has directed the operations of the NMFA since its inception. He previously served for five years as Executive Director of the Texas Bond Review Board from its inception in 1987. The Board, chaired by the Governor of Texas, is responsible for the approval of all state bond issuance. Dr. Pollard directed all research, technical and administrative functions of the Board and analyzed the legal and financial soundness of each bond transaction reviewed by the Bond Review Board. He also administered the allocation of the State's $850 million federal private activity bond authorization among Texas bond issuing entities and reported to the bond rating agencies on the fiscal condition of state government and Texas' state-backed loan programs. Before coming to the Board, Dr. Pollard served the Texas State Comptroller as the government's primary forecaster of state economic conditions and state government revenue from all sources. Dr. Pollard received a Ph.D. in economics from the University of Texas in 1980.

Keith H. Mellor, Controller. Mr. Mellor joined the NMFA in November 1995. Before coming to the NMFA Mr. Mellor was controller for the Los Alamos Credit Union. He brings with him an extensive background in controllership, investment portfolio management, governmental auditing and accounting. His responsibilities include design, implementation, and maintenance of financial controls, reporting systems and investment strategies. Prior to serving at the Credit Union, Mr. Mellor was CFO/Controller for CNS, Inc., a systems engineering and integration firm. Mr. Mellor holds B.S. in accounting from Metro State College, Denver, Colorado. He holds a Certified Public Accountant's license in the State of Colorado.

Kathy Sylvia, Chief of Program Operations. Ms. Sylvia joined the NMFA in February 1997. Prior to working at the NMFA, Ms. Sylvia was the Telecommunications Policy analyst at the New Mexico Municipal League. She brings with her an extensive knowledge of local governmental auditing, accounting and financial management. Prior to serving at the New Mexico Municipal League, Ms. Sylvia was Chief Financial Officer of the City of Alamogordo, New Mexico. Ms. Sylvia holds a B.S. in Management and Finance from Chaminade University and a Masters in Public Administration from New Mexico State University.

The NMFA staff provides a full range of services to its borrowers and other parties benefitting from or otherwise interested in the NMFA's financing programs. Those services include loan servicing and program fund administration, financial analysis relating to all aspects of the NMFA's programs, accounting, program marketing and development services, application assistance to borrowers, coordination and assistance with other funding sources, coordination with taxing and regulatory authorities, and coordination with various legislative authorities.

The Public Project Revolving Fund Program

The Public Project Revolving Fund Program of the NMFA is authorized by the Act and was created to fulfill the duty of the NMFA to develop and administer a program to assist qualified entities, individually or jointly, in financing all types of projects of a long-term capital nature, including but not limited to buildings, water systems, sewerage and waste disposal systems, solid waste disposal systems, streets, airports, municipal utilities, parking facilities and capital equipment. To implement the Public Project Revolving Fund Program, the NMFA has been granted the following specific powers: to make loans to qualified entities that establish one or more dedicated sources of revenue to repay the loan from the NMFA; to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the NMFA or pertaining to (i) a loan to a qualified entity, (ii) a grant to a qualified entity, (iii) a purchase or sale of securities individually or on a pooled basis, or (iv) the performance of its duties and execution of any of its powers under the Act; to purchase, hold or sell securities; to charge for its costs and services in review or consideration of a proposed loan to a qualified entity or purchase by the NMFA of securities; in connection with the purchase of any securities, to consider the ability of the qualified entity to secure financing from other sources and the costs of that financing and the particular public project or purpose to be financed or refinanced with the proceeds of the securities to be purchased by the NMFA; and to acquire and hold title to or leasehold interest in real and personal property and to sell, convey or lease that property for the purpose of satisfying a default or enforcing the provisions of a loan agreement.

In order to expand future availability of financing for projects under the Public Project Revolving Fund Program, it is NMFA's intent to make revolving loans at market or below market interest rates and to re-lend loan repayments on such loans. When possible, assistance will be provided in particular to those projects that have associated user fees or other revenues that can be used to pay debt service. However in order to ensure that financing is available to the largest number of projects possible, the NMFA may provide different levels of assistance, depending on the credit worthiness of the project and the borrower:

- For entities which have the financial capacity to issue bonds but find it difficult to enter the credit market on their own, the NMFA may assemble pooled bond issues which will provide a lower cost of capital for the localities than would be available if entering the credit market on their own.

- For entities, determined by the NMFA to meet disadvantaged status based on median household incomes of less than 75% or 90% of the state median household income, direct cash loans at 0 and 3 percent interest rates, respectively. No single entity may receive more than $200,000 in loans under the disadvantaged program in a fiscal year. Projects funded under the disadvantaged program are those determined by the Board to be important to the overall capital needs of the State and to enhance the health and safety of the citizens of the Governmental Unit.

The NMFA now may make a limited number of loans from the Public Project Revolving Fund to qualified entities for emergency public projects. These projects can receive permanent financing without legislative authorization, which is required of all other loans from the Public Project Revolving Fund. The dollar value of all such loans is limited to $3,000,000 per fiscal year, and individual loans for emergency projects may not exceed $500,000. An emergency project requires that the NMFA determine that the project is required by an unforeseen occurrence or circumstance threatening public health, safety or welfare; requires the immediate expenditure of money; and is not within the available financial resources of the borrower.

Other NMFA Programs and Projects

Generally

The NMFA participates in several other programs designed to provide financing for equipment and projects to both municipal and state agencies. These projects are funded by various sources and the obligations that were used to finance such projects do not have a lien or claim of any type on the Trust Estate, including the Revenues, and the Series 2000B-C Bonds do not have a lien on Revenues used to fund such obligations which secure the other obligations.

Worker's Compensation Administration Building Financing

In 1993 and 1994, the New Mexico Legislature authorized the NMFA to sell a total of $6 million in revenue bonds for the acquisition of land and site improvement, planning, designing, constructing, equipping and furnishing of a state office for the Worker's Compensation Administration ("WCA"). The Legislature also provided that the first forty cents ($.40) of each quarterly four dollars ($4.00) of Worker's Compensation assessment paid to the State would be pledged to the NMFA for payment of the revenue bonds associated with the WCA project. In July 1995, the NMFA publicly sold $2.05 million of its revenue obligations to provide funds for the acquisition of land and the construction and equipping of an office building in Albuquerque. In July 1996, the NMFA sold $4.31 million in long-term bonds to retire the outstanding bonds and to finance construction of the Worker's Compensation Administration Building.

UNM Cancer Research Center

In 1993, the New Mexico Legislature authorized the NMFA to issue revenue bonds payable from a portion of the net cigarette tax receipts collected by the State and distributed to the NMFA. The NMFA issued such revenue bonds in an aggregate principal amount of $6,000,000 in July 1996. The proceeds of the bonds were used to design, construct, equip and furnish an addition to the University of New Mexico Cancer Center.

Primary Care Capital Fund

In 1994, a $5 million revolving fund was created in the State treasury from which to provide loans and other financial assistance to rural primary care health clinics. The legislation establishing the fund directed NMFA to administer the revolving fund, and to assume responsibility for all financial duties related to the program. The New Mexico Health Department and the NMFA have negotiated a joint powers agreement whereby the Health Department will provide all required health-related services and the NMFA will administer the revolving fund. In September 1994, the NMFA and the Health Department adopted program operation rules to govern the financing of the repair, renovation or construction of primary care clinics in underserved areas of the State. The rules were amended in April 1998. The NMFA has funded eleven loans totaling approximately $3.28 million.

Administrative Office of the Courts Financing

The 1996 and 1999 Legislatures authorized the NMFA to issue revenue bonds in an amount not to exceed $12 million for the purpose of financing acquisition of court automation systems for the State court system and development of statewide appellate automation, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. $8.5 million in bonds were sold in 1996 with an additional $3.5 million in bonds sold in 1999. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the State, and a portion of certain costs and penalty assessments to be collected upon conviction of persons of violating any provision of the Motor Vehicle Code involving the operation of a motor vehicle.

Insurance Department Financing

The 1996 Legislature authorized the NMFA to issue revenue bonds in an amount not to exceed $1.0 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance. The Legislature imposed a three dollar ($3.00) surcharge on the annual continuation of appointment fees on the approximately 60,000 insurance agents subject to the fees to provide security for the bonds. The NMFA issued $525,000 privately placed bonds in 1996 and an additional $200,000 privately placed bonds in 1999.

Tax and Revenue Information Management Information System ("TRIMS" Project)

In 1997 the New Mexico Legislature authorized the NMFA to sell up to $33,709,800 of bonds for the purpose of financing the New Mexico Taxation and Revenue Department (the "NMTRD") information management systems project (the "TRIMS Project"). The TRIMS project is an integration and updating of on-line, multi-user systems that process taxation, motor vehicle tax and fee collections, revenue distributions and information processing by the NMTRD, which is responsible for collecting revenues for the State, its local governments, and others.

The NMFA sold $17,440,600 of Series 1997A Administrative Fee Revenue Bonds in September 1997. The Bonds are secured by certain administrative fees imposed by the NMTRD on local governments for the services associated with collection of local option gross receipts tax revenues, as well as NMTRD administrative fees imposed in connection with other taxes, fees, and charges. The NMFA entered into an interim loan agreement with the NMTRD in advance of long-term financing of the second issue of TRIMS Project bonds. The NMFA issued the balance of the amount of bonds authorized for the TRIMS Project with the sale of $16.27 million of Series 1999A Administrative Fee Revenue Bonds in September 1999.

New Mexico State Highway and Transportation Department – Corridor 44 Project

On October 2, 1998, the NMFA issued its $100,230,000 Federal Highway Grant Anticipation Revenue Bonds, Series 1998A for the purpose of financing the costs of acquiring, constructing, expanding and improving approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes (the "Corridor 44 Project") by the New Mexico State Highway and Transportation Department ("NMSHTD"). The bonds are payable from the NMFA's rights to payments under a Loan Agreement between the NMFA and NMSHTD. The obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a pledge of certain revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented. Subsequent bond issues for the completion of the Corridor 44 Project are expected to be issued directly by NMSHTD.

Drinking Water Program

The New Mexico Drinking Water State Revolving Loan Fund Act was signed into law on April 9, 1997. The Act creates, in the NMFA, the New Mexico Drinking Water State Revolving Loan Fund ("DWRLF") which is administered by the NMFA. The NMFA was charged with the establishment, in cooperation with the New Mexico Environment Department, of a loan program to provide local authorities with low-cost financial assistance in the construction of drinking water facilities necessary to protect public health. The passage of the Act was in response to the re-authorization by Congress and the President of the federal Safe Drinking Water Act ("SDWA"), which required the U.S. Environmental Protection Agency ("EPA") to make capitalization grants to the states to further the health objectives of the SDWA. Under the re-authorization, capitalization grants will be made to the states over the next seven years.

The NMFA was awarded the first New Mexico capitalization grant by the EPA in late Fiscal Year 1998. The amount of the capitalization grant was $12,759,800. State matching funds in the amount of $2,551,960 were appropriated in 1997. In Fiscal Year 2000, the NMFA was awarded capitalization grants for 1998 and 1999 totaling $14,585,100, with State matching funds appropriated in the amount of $2,917,020. The NMFA is in the process of submitting the capitalization grant application for Fiscal Year 2000. Federal funds requested total $7,757,000, and the State match of $1,540,000 was appropriated by the 2000 Legislature.

The NMFA can utilize funds in the DWRLF to make loans to local entities for drinking water facility construction, renovation and expansion. For projects with proper legislative approval, these loans can be combined with loans from the Public Project Revolving Fund to leverage the funds in the DWRLF to create a greater dollar volume of loans. The NMFA anticipates funding eleven loans totaling approximately $15 million in Fiscal Year 2001.

Bernalillo Metropolitan Court

During the 1998 special legislative session and the 2000 legislative session, the Legislature authorized the NMFA to issue up to $57.9 million in revenue bonds for the purpose of financing the acquisition of real property and the design, construction and equipping of a new court building and an adjacent parking facility for the Bernalillo Metropolitan Court in Albuquerque, New Mexico. The NMFA has entered into a $5.0 million interim loan agreement with Bernalillo Metropolitan Court in advance of long-term financing of the first issuance of Metropolitan Court Project bonds. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the State, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the Motor Vehicle Code involving the operation of a motor vehicle. The NMFA expects to issue $21.4 million in bonds authorized for the Metropolitan Court Project in Fiscal Year 2001.

Water and Wastewater Grant Fund

During the 1999 and 2000 legislative sessions, the Legislature authorized the NMFA to make grants and issue up to $5 million in bonds to fund grants for 26 public water and wastewater projects. Such bonds are payable solely from the Public Project Revolving Fund in an amount not to exceed thirty-five percent (35%) of the Governmental Gross Receipts Tax proceeds distributed to the Public Project Revolving Fund in the preceding fiscal year, less all debt service charges and administrative costs of the NMFA paid in the preceding fiscal year on bonds issued pursuant to Section 6-21-6.1 NMSA 1978.

LITIGATION

According to the NMFA, there is no controversy or litigation known to be pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2000B-C Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any payments which will provide Revenues for the payment of the debt service on the Series 2000B-C Bonds or in any way contesting or affecting the validity or enforceability of the Series 2000B-C Bonds, the Indenture, or any proceeding and authority of the NMFA taken with respect to the foregoing. The NMFA will deliver a no-litigation certificate as to the foregoing prior to the issuance of the Series 2000B-C Bonds.

UNDERWRITING

Dain Rauscher Incorporated, George K. Baum Company, U.S. Bancorp Piper Jaffray Inc. and Salomon Smith Barney Inc. (collectively, the "Underwriters") have agreed to purchase the Series 2000B-C Bonds from the NMFA pursuant to a Bond Purchase Agreement dated September 21, 2000 (the "Bond Purchase Agreement"), at an aggregate price of $36,184,474.44 (being the aggregate principal amount less a net original issue discount of $105,621.20 and less an Underwriters' discount of $229,904.36), plus accrued interest on the Series 2000B-C Bonds from their dated date to the date of delivery of and payment for the Series 2000B-C Bonds. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2000B-C Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 2000B-C Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 2000B-C Bonds. The NMFA and the 2000 Governmental Units whose loans are being financed by the issuance of the Series 2000B-C Bonds have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2000B-C Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2000B-C Bonds. Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, has assumed continuing compliance by the NMFA and the 2000 Governmental Units with such requirements and restrictions in rendering its opinion regarding the tax exempt status of interest on the Series 2000B-C Bonds.

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2000B-C Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

Although said Co-Bond Counsel will render an opinion that interest on the Series 2000B-C Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2000B-C Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. Said Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2000B-C Bonds.

The Series 2000B Bonds maturing on June 1, in the years 2010 through 2020 and the Series 2000C Bonds maturing on June 1, in the years 2005, 2007, 2008, 2009, and 2011 through 2030 (collectively, the "Discount Series 2000B-C Bonds") are offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a Series 2000B-C Bond accrues periodically over the term of the Discount Series 2000B-C Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the Discount Series 2000B-C Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Discount Series 2000B-C Bonds should consult their tax advisors for an explanation of the accrual rules.

The Series 2000B Bonds maturing on June 1 in the years 2001 through 2007 (collectively, the "Premium Series 2000B Bonds") are offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Premium Series 2000B Bond through reductions in the holders' tax basis in the Premium Series 2000B Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Premium Series 2000B Bond rather than creating a deductible expense or loss. Holders of Premium Series 2000B Bonds should consult their tax advisors for an explanation of the amortization rules.

State of New Mexico Income Tax

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, under laws of the State of New Mexico as currently enacted and construed, interest on the Series 2000B-C Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2000B-C Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel, and Ballard Spahr Andrews & Ingersoll, LLP, as Co-Bond Counsel, will deliver the respective opinions included in Appendix E hereto. Certain legal matters relating to the Series 2000B-C Bonds will be passed upon for the Underwriters by their counsel, Sutin, Thayer & Browne A Professional Corporation. Neither Sutin, Thayer & Browne A Professional Corporation nor either Co-Bond Counsel has participated in any independent verification of the information concerning the financial condition or capabilities of the NMFA or the 2000 Governmental Units contained in this Official Statement.

Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. Certain legal matters relating to the 2000 Governmental Units will be passed upon by Modrall, Sperling, Roehl, Harris & Sisk, P.A.

EXPERTS

The NMFA has retained Western Financial Group, LLC, as financial advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2000B-C Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Western Financial Group, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

FINANCIAL STATEMENTS

The combined financial statements of the NMFA for the year ended June 30, 1999, included as Appendix A of this Official Statement have been audited by Neff & Ricci, LLP, certified public accountants, Albuquerque, New Mexico, as set forth in their report thereon dated October 1, 1999. Such financial statements represent the most current audited financial information available for the NMFA.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission in connection with the issuance of the Series 2000B-C Bonds, the NMFA will agree to provide the following information:

(i) to each nationally recognized municipal securities information repository ("NRMSIR"):

(1) annual financial information and operating data as follows:

(a) with respect to the NMFA, information concerning the NMFA Portion of the Governmental Gross Receipts Tax Revenues, such information to be of the type set forth under the table captioned "Governmental Gross Receipts Taxes Collections Fiscal Years 1995-1996 through 1999-2000" under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS - Revenues - The Governmental Gross Receipts Tax" in the Official Statement; and

(b) with respect to any Governmental Unit whose Loan repayment obligations constitute more than 5% of the estimated annual Revenues in any year when the Series 2000B-C Bonds are outstanding (the "5% test") information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Pledged Revenues, or such shorter period for which such information is available.

and

(2) audited financial statements for the NMFA and any Governmental Unit meeting the 5% test.

Such information will be provided within 270 days of the end of each fiscal year and will be made available, in addition to each NRMSIR, to the Trustee and to each holder of the Series 2000B-C Bonds who requests such information. In the event that audited financial statements are not available within such time period, unaudited financial statements will be provided;

(ii) in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") and to a State information depository, if any, notice of the occurrence of any of the following events (if applicable) with respect to the Series 2000B-C Bonds or the Agreements, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Series 2000B-C Bonds;

(7) modification of rights of security holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Series 2000B-C Bonds; and

(11) rating changes.

The NMFA may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the NMFA, such other event is material with respect to the Series 2000B-C Bonds or the Agreements. However, the NMFA does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above; and

(iii) in a timely manner to the MSRB notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The NMFA reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the NMFA; provided that, the NMFA has agreed that any such modification will be done in a manner consistent with the Rule. The NMFA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Owners of the Series 2000B-C Bonds and shall be enforceable by the Owners; provided that, the right to enforce the provisions of this undertaking are limited to a right to obtain specific enforcement of the NMFA's obligations, and any failure by the NMFA to comply with the provisions of the undertaking shall not be an event of default with respect to the Series 2000B-C Bonds.

Continuing disclosure undertakings previously entered into by NMFA called for it to file an annual report and audit with respect to the Fiscal Year ended June 30, 1997 no later than 270 days after the end of such fiscal year. In November of 1998, the NMFA discovered that such report and audit had not yet been filed. On November 25, 1998, NMFA notified the MSRB of its failure to file the report and audit and by

December 15, 1998, such report and audit had been filed with the NRMSIRs. NMFA believes that it is now in compliance with its continuing disclosure undertakings.

Financial information and operating data for the City of Albuquerque, New Mexico and State Parks Division of the Energy, Minerals and Natural Resources Department of the State, the only Governmental Units which are expected to provide more than 5% of estimated annual Revenues in any year when Bonds will be Outstanding, is set forth in Appendix D hereto.

RATINGS

Moody's Investor's Service, Inc. ("Moody's"), Standard & Poor's Rating Services, a Division of the McGraw-Hill Companies, Inc. ("S&P") and Fitch IBCA, Duff & Phelps ("Fitch") have assigned ratings of "Aaa," "AAA" and "AAA," respectively, to the Series 2000B-C Bonds with the understanding that upon delivery of the Series 2000B-C Bonds, a policy insuring the payment when due of the Series 2000B-C Bonds will be issued by MBIA Insurance Corporation. Moody's, S&P and Fitch have also assigned ratings of A1, A- and AA-, respectively, to the Series 2000B-C Bonds independently of any bond insurance. Such ratings reflect only the views of such organizations. An explanation of the significance of such ratings may be obtained from Moody's at 99 Church Street, New York, New York 10007, S&P at 25 Broadway, New York, New York 10004, and Fitch at One State Street Plaza, New York, New York 10004. The ratings are not a recommendation to buy, sell or hold the Series 2000B-C Bonds and there is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings given to the Series 2000B-C Bonds may have an adverse effect on the market price of the Series 2000B-C Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2000B-C Bonds any proposed revision or withdrawal of the ratings on the Series 2000B-C Bonds, or to oppose any such proposed revision or withdrawal.

ADDITIONAL INFORMATION

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 409 St. Michael's Drive, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 2000B-C Bonds.

APPROVAL BY THE NMFA

This Official Statement and its distribution and use by the Underwriters have been duly authorized and approved by the NMFA, and this Official Statement has been executed and delivered on behalf of the NMFA by the Chairman of its Board of Directors and its Executive Director.

NEW MEXICO FINANCE AUTHORITY

By s/Robert M. Goodman
Robert M. Goodman
Chairman of the Board of Directors

By s/Tom K. Pollard
Tom K. Pollard
Executive Director

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE NMFA
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NEFF & RICCI
LLP

Independent Auditors' Report

Mr. Robert Goodman, Chairman
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM,
New Mexico State Auditor

We have audited the accompanying general purpose financial statements and the combining and individual fund and account group financial statements of the New Mexico Finance Authority (Authority), as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements and supplemental schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and its nonexpendable trust funds, for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements of the Authority referred to above present fairly in all material respects, the financial position of each of the individual funds and the account groups of the Authority as of June 30, 1999, and the results of its operations for such funds and the cash flows of its proprietary fund type and its nonexpendable trust funds and the cash flows of its proprietary fund type and its nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS
7001 Prospect Place NE • Albuquerque, NM 87110
(505) 883-6612 • Fax (505) 830-6282 • e-mail: neff@nm.net

Mr. Robert Goodman, Chairman
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM,
New Mexico State Auditor

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 1999, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Summary of the Year 2000 issue is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Authority is or will become year 2000 compliant, that the Authority's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Authority does business are or will become year 2000 compliant.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining and individual fund and account group financial statements. The accompanying other supplementary financial information listed as supplemental schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Authority. Additionally, the accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, combining and individual fund and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and the account group taken as a whole.

Neff & Ricci LLP

Albuquerque, New Mexico
October 1, 1999

NEW MEXICO FINANCE AUTHORITY
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

Assets and Other Debits	Proprietary Fund Type - Internal Service	Fiduciary Fund Types - Trust and Agency	Account Group - General Long - term Debt	Total (Memorandum Only)
Assets:				
Cash and cash equivalents	$ 3,817,220	$ 48,803,789	$ -	$ 52,621,009
Cash and cash equivalents - nonexpendable trusts	-	6,706,608	-	6,706,608
Receivables:				
Taxes	169,688	2,182,959	-	2,352,647
Interest	-	815,653	-	815,653
Grant and other	-	493,127	-	493,127
Loans, net of allowance	-	170,786,571	-	170,786,571
Unrestricted cash at trustee	-	943,482	-	943,482
Securities	-	17,887,165	-	17,887,165
Due from other funds	60,086	7,994	-	68,080
Restricted assets - cash and cash equivalents	1,118,433	127,658,251	-	128,776,684
Fixed assets, net	26,863	67,944	-	94,807
Deferred issue costs, net	127,715	-	-	127,715
Other assets	2,406	-	-	2,406
Other debit - amount to be provided for retirement of long-term debt	-	-	6,709,000	6,709,000
Total assets and other debit	$ 5,322,411	$ 376,353,543	$ 6,709,000	$ 388,384,954
Liabilities and Equity				
Liabilities:				
Accounts payable and other liabilities	$ 20,654	$ 554,520	$ -	$ 575,174
Accrued payroll, fringe benefits and compensated absences	56,197	-	-	56,197
Accrued interest payable	17,625	-	-	17,625
Funds held for others	-	109,150,795	-	109,150,795
Due to other state agencies	-	12,921,494	-	12,921,494
Due to trustee	222	1,555	-	1,777
Due to other funds	7,994	60,086	-	68,080
Bonds payable	4,200,000	216,206,321	-	220,406,321
Unamortized discount	-	110,977	-	110,977
Other long term debt	-	10,000,000	6,709,000	16,709,000
Total liabilities	4,302,692	349,005,748	6,709,000	360,017,440
Equity:				
Retained earnings	1,019,719	-	-	1,019,719
Fund balance - Reserved	-	27,347,795	-	27,347,795
Total equity	1,019,719	27,347,795	-	28,367,514
Total liabilities and equity	$ 5,322,411	$ 376,353,543	$ 6,709,000	$ 388,384,954

The Notes to Financial Statements are an integral part of these statements.

NEW MEXICO FINANCE AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1999

	Expendable Trust Funds
Revenues:	
Tax revenue	$ 25,953,110
Interest	7,686,088
Administrative	100,901
Total revenues	33,740,099
Current expenditures:	
Administrative fee	253,772
Professional services	202,478
Bad debt expense	96,854
Total current expenditures	553,104
Other expenditures:	
Debt service - interest expense	6,920,971
Grant expense	2,551,960
Bond issuance costs	384,767
Total other expenditures	9,857,698
Total expenditures	10,410,802
Excess of revenues over expenditures	23,329,297
Other financing sources (uses):	
Transfers to other state agencies	(17,144,903)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	6,184,394
Fund balance - Beginning of year	12,277,349
Fund balance - End of year	$ 18,461,743

The Notes to Financial Statements are an integral part of these statements.

NEW MEXICO FINANCE AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN EQUITY - PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 1999

	Proprietary Fund Type - Internal Service Fund	Nonexpendable Trust Funds	Total (Memorandum Only)
Operating revenues:			
Administrative fees	$ 299,970	$ -	$ 299,970
Interest income	284,119	354,639	638,758
Total operating revenues	584,089	354,639	938,728
Operating expenses:			
Salaries and fringe benefits	508,136	90,257	598,393
In-state travel	13,307	2,242	15,549
Maintenance and repairs	7,668	5,256	12,924
Supplies	18,243	-	18,243
Contractual services	154,956	41,650	196,606
Operating costs	119,566	18,360	137,926
Out-of-state travel	3,157	3,642	6,799
Depreciation	16,351	20,976	37,327
Total operating expenses	841,384	182,383	1,023,767
Operating income (loss)	(257,295)	172,256	(85,039)
Non operating revenues (expenses):			
Tax revenue	1,327,842	-	1,327,842
Grant revenue	-	2,551,960	2,551,960
Federal grant revenue	-	752,454	752,454
Interest expense	(236,750)	-	(236,750)
Bond issue costs and other	(18,245)	-	(18,245)
Net non operating revenue (expense)	1,072,847	3,304,414	4,377,261
Income before operating transfers	815,552	3,476,670	4,292,222
Other financing sources (uses):			
Transfers to other funds	(11,183)	11,183	-
Transfers to other state agencies	-	(695,051)	(695,051)
Total other financing uses	(11,183)	(683,868)	(695,051)
Net income	804,369	2,792,802	3,597,171
Fund balance - Beginning of year	215,350	6,093,250	6,308,600
Fund balance - End of year	$ 1,019,719	$ 8,886,052	$ 9,905,771

The Notes to Financial Statements are an integral part of these statements.

Exhibit 4

NEW MEXICO FINANCE AUTHORITY
COMBINED STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types - Internal Service Fund	Nonexpendable Trust Funds	Total (Memorandum Only)
Cash flows provided (used) from operating activities:			
Cash paid for employee services	$ (501,317)	$ (90,257)	$ (591,574)
Cash paid to vendors for services	(361,623)	(86,510)	(448,133)
Interest income received	284,120	354,639	638,759
Administrative fees received	409,026	-	409,026
Net cash provided (used) for operating activities	(169,794)	177,872	8,078
Cash flows provided (used) for non capital financing activities:			
Operating transfers	(11,182)	11,182	-
Cash paid to subrecipients for services	-	(502,363)	(502,363)
Federal grant revenue received	-	385,400	385,400
Cash provided by other funds	(2,034,815)	2,478,460	443,645
Net cash provided (used) for non capital financing activities	(2,045,997)	2,372,679	326,682
Cash flows from capital and related financing activities:			
Loans funded	-	(383,252)	(383,252)
Payment of bonds	(600,000)	-	(600,000)
Restricted assets - reserve funds	(64,700)	-	(64,700)
Tax revenue	1,453,087	-	1,453,087
Interest expense	(239,050)	-	(239,050)
Fixed asset purchases	(21,304)	(27,468)	(48,772)
Net cash provided (used) for capital and related financing activities	528,033	(410,720)	117,313
Net (decrease) increase in cash and cash equivalents	(1,687,758)	2,139,831	452,073
Cash and cash equivalents - beginning of year	5,504,978	4,679,193	10,184,171
Cash and cash equivalents - end of year	3,817,220	6,706,608	10,523,828
Reconciliation of operating loss to net cash used for operating activities - operating income (loss)	(257,295)	172,256	(85,039)
Adjustments to operating income (loss):			
Depreciation	16,351	20,976	37,327
(Increase) decrease in accounts receivable	-	22,347	22,347
(Increase) decrease in accrued payroll, fringe benefits and compensated absences	(10,163)	-	(10,163)
Increase (decrease) in accounts payable	(27,743)	(15,360)	(43,103)
(Increase) decrease in due from other funds	109,056	-	109,056
Net cash provided (used) for operating activities	$ (169,794)	$ 177,872	$ 8,078

The Notes to Financial Statements are an integral part of these statements.

NOTE 1. ORGANIZATION

The Laws of 1992, Chapter 61, as amended, created the New Mexico Finance Authority (Authority). The purpose of the New Mexico Authority Act (Act) is to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.

The Authority's governing board is composed of twelve members. The State Investment Officer, the Secretary of the Department of Finance and Administration, the Secretary of Economic Development, the Secretary of Energy, Minerals and Natural Resources, the Secretary of the Environment Department, the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties are ex-officio members of the Authority with voting privileges. The Governor, with the advice and consent of Senate, shall appoint to the Authority the chief financial officer of an institution of higher education and four members who are residents of the state. The appointed members serve at the pleasure of the governor.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the state except as specifically provided in the New Mexico Finance Authority Act.

The Act specifically excludes the Authority from the definition of "state agency" or "instrumentality" in any other law of the state unless specifically referred to in the law.

The Attorney General's Opinion dated December 23, 1992, concludes that the Authority is an agency of the state at least for certain purposes. The Opinion subjects the Authority to the Open Meetings Act and concludes that the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Opinion excludes the Authority from other sections of the Per Diem and Mileage Act, the Procurement Code and DFA vouchering requirements.

Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof.

The Authority is a governmental entity in accordance with Governmental Accounting Standard Board Statement No. 14. The Authority is a governmental entity because it was established by statute; its relationship with other governmental entities; the governmental make-up of the Authority's governing board; sources of tax revenue and ability to issue tax-exempt debt.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Authority are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental fund not recorded directly in those funds.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Authority is responsible for the fair presentation in the general-purpose financial statements of financial position, results of operations and cash flows of the proprietary funds and non-expendable trust funds in conformity with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority receives sources of tax revenue from other agencies for the purpose of issuing and financing debt. Based on the legislation, bond or joint powers agreements, the Authority determines the appropriate accounting treatment for each financing program. Certain financing programs in which the excess tax revenue received after debt service payments or excess bond proceeds, or interest income earned on the bond proceeds can be used for the Authority's benefit and are accounted for in the internal service fund. Other financing programs are accounted for as expendable trust funds when tax revenue in excess of debt service payments can only be expended for another agency, a specific purpose or have other outside restrictions.

The Authority has the following fund types and account group:

Proprietary Funds. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, in accounting and reporting for its proprietary operations. Proprietary funds include the following fund type:

The internal service fund accounts for operations that provide services to other State of New Mexico departments or agencies or to other local government entities on a cost-reimbursement basis. The internal service fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds. These funds account for assets held by the Authority in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Authority under the terms of an agreement.

The expendable trust fund is accounted for in essentially the same manner as a governmental fund type. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers the revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for interest on long-term debt, which is recognized when paid. Also bond premiums and discounts, as well as issuance costs are recognized during the current period. Expendable trust funds account for assets where both the principal and interest may be spent.

The nonexpendable trust funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focuses and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent.

The Governmental Accounting Standards Board (GASB) Codification Section 1500.102 states that long-term obligations "directly related to and expected to be paid from proprietary and trust funds should be included in the accounts of such funds." Accordingly, the Authority has elected to record the debt of such funds to the applicable funds.

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The agency fund is used to account for assets that the Authority holds for others in a agency capacity. The Authority has established a separate agency fund for each of the equipment loan program debt issues.

Account Groups. The general long-term debt account group is used to account for general long-term debt that are not specific liabilities of proprietary or trust funds.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs and Funds. The following describes the nature of the programs and funds maintained by the Authority:

Internal Service Fund.

State Building Program-Cigarette Tax. This accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico cigarette taxes, for the purpose of financing building projects in New Mexico. Section 7-1-6.11, NMSA, 1978 Compilation provides for a distribution to the Authority of seven and one-eighth percent of the net receipts attributable to the cigarette tax with the first distribution made as of August 1, 1993. The cigarette tax monies are to be used by the Authority to finance the construction of a cancer research center and sell revenue bonds in compliance with the New Mexico Finance Authority Act in an amount not exceeding six million dollars ($6,000,000) for the purpose of designing, constructing, equipping and furnishing an addition to the Cancer Center at the University of New Mexico. The parties have entered into a Joint Powers Agreement to accomplish this purpose. The bonds were issued on July 11, 1996. The cigarette tax proceeds distributed to the New Mexico Finance Authority pursuant to Section 7-1-6.11 NMSA 1978 are appropriated to the Authority to be pledged irrevocably for the payment of the principal or interest on the bonds or any payments for refunding or redemption premiums on the bonds and for payment of the costs incurred by the Authority related to authorization, issuance and sale of the bonds.

The Laws of 1993, Chapter 358, authorizes funds in the State Building Program-Cigarette Tax, in excess of the amount necessary for payment of principal and interest on outstanding bonds and necessary reserves or sinking funds, to be transferred to any other account of the Authority as needed for purposes of the New Mexico Finance Authority Act. Also, the joint power agreement in effect as of June 30, 1999, states that all and any interest income and surplus bond proceeds will remain with the Authority.

Expendable Trust Funds.

State Building Programs-Workers' Compensation Assessment. This accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico workers' compensation assessments for the purpose of financing an office building for the Workers' Compensation Administration.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Laws of 1993, Chapter 367, Section 73, effective April 8, 1993, as amended by Laws of 1994, Chapter 91, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $3,500,000 for planning, designing, constructing, equipping and furnishing a state office building for the Workers' Compensation Administration that complies with the American with Disabilities Act of 1990. The 1994 amendment authorized the Authority to issue and sell additional revenue bonds in an amount not to exceed $2,500,000 when the property control division of the General Services Department certifies the need for issuance of the bonds. The bond proceeds are for acquiring land and making site improvements for the aforementioned state building. The parties have entered into a joint powers agreement to accomplish this purpose. $4,310,000 of bonds were issued during July 1996. The first $.40 of the workers' compensation assessment imposed pursuant to Section 52-5-19, NMSA, 1978 is distributed to the Authority and is appropriated to be pledged irrevocable for payment of principal, interest, any premium and expenses related to the issuance and sale of the bonds. Revenue distributed to the Authority shall be deposited in a special bond fund or account and any money distributed to the Authority shall be deposited in a special bond fund or account and any money remaining in the fund at the end of each calendar quarter, after all current obligations and any sinking fund requirements are met shall be transferred to the workers' compensation administration fund upon request. Also, according to the joint powers agreement in effect, any surplus bond proceeds and interest will be used for the project.

Upon payment of all principal and interest and any other obligations or expenses related to issuance of the bonds, the Authority shall certify to the Taxation and Revenue Department that all obligations have been fully discharged and direct the Department to cease payments of workers' compensation assessment fee revenue to the Authority.

Public Projects Revolving Fund. This fund is used to account for governmental gross receipts tax (GGRT) proceeds received under the Laws of 1994, Chapter 145, Section 1. The Authority receives an amount equal to seventy-five percent of the net receipts attributable to GGRT pursuant to Section 7-1-6.1, NMSA 1978.

Of the GGRT revenues directed to the Authority's Public Project Revolving Fund, which are not used to pay debt service on PPRF obligations, an aggregate amount not to exceed thirty-five percent shall be available for appropriation by the Legislature to the following funds for local infrastructure financing: the wastewater facility construction loan fund, the rural infrastructure revolving loan fund, the solid waste facility grant fund, and the drinking water state revolving loan fund. The remaining GGRT revenue deposited may be granted or loaned directly by the Authority to

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

qualified entities or "leveraged" by pledging the revenue stream to the issuance of bonds and granting, or lending, the bond proceeds. All projects to be financed must be approved by the Legislature.

Primary Care Capital Fund. The Laws of 1994, Chapter 62, created the Primary Care Capital Fund to provide funding for capital projects to eligible entities in order to increase health care services in rural and other health care underserved areas in the state. The revolving fund, to be administered by the Authority, shall consist of appropriations, loan repayments, gifts, grants, donations and interest earned on investment of the fund. Money in the fund shall not revert at any fiscal year end. The State of New Mexico Department of Health, and the Authority administer the loan programs and contracts for services established pursuant to the Primary Care Capital Funding Act. The Department of Health, in conjunction with the Authority, shall adopt regulations to administer and implement the Act.

Laws of 1994, Chapter 147, appropriated $5,000,000 for the Primary Care Capital Fund for rural primary care capital funding. Laws of 1994, Chapter 6, appropriated $95,000 to the Department of Health to contract with the Authority for assistance to the Department and administration of the Primary Care Capital Fund.

Court Automation Financing Fund. The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount not to exceed $8.5 million for the purpose of financing acquisition of court automation systems for the state court system, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. $8.5 million of court automation fee revenue bonds were issued on June 25, 1996. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the state, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the motor vehicle code involving the operation of a motor vehicle. The pledged revenues are paid to the Authority. Pledged revenues in excess of debt service and related expenditures may be appropriated by the Legislature to the Administrative Office of the Courts for the acquisition of court automation systems.

Insurance Department Financing Fund. The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount not to exceed $1 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance. The Legislature imposed a three dollar ($3.00) surcharge on the annual continuation of appointment fees on approximately 60,000 insurance agents subject to the fees to provide security for the bonds. On April 18, 1996, the New Mexico Insurance Department requested the Authority to issue $525,000 of the authorized

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

bonds for acquiring information and communication equipment. The bonds were privately placed in a transaction that closed on May 23, 1996, and the proceeds were transferred to the New Mexico Department of Insurance. The pledged revenues are paid to the Authority. Pledged revenue in excess of debt service and related expenditures may be appropriated by the Legislature to the Department of Insurance for the acquisition of information and communication equipment.

Administrative Fee Revenue Program (TRIMS Project). Chapter 125, Laws of New Mexico 1997 was enacted to authorize the Authority to sell up to $33,709,800 of bonds for the purpose of financing the New Mexico Taxation and Revenue Department (NMTRD) information management systems project (TRIMS Project). The TRIMS Project is an integration and updating of on-line, multi-user systems that process taxation, motor vehicle tax and fee collections, revenue distributions and information processing by the NMTRD. Revenue from NMTRD's administrative fees are pledged to repay the bonds. The Authority issued $17,440,660 of Administrative Fee Revenue Bonds Series 1997A in September 1997.

Highway 44 Finance Fund. Series 1998A Bonds were issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMSA 1978, as amended, and the Indenture. The Series 1998A Bonds were issued by the Authority to finance the cost of an infrastructure project, which includes the acquisition, construction, expansion and improvement of approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes by the New Mexico Highway and Transportation Department (NMSHTD), and are payable solely from the NMFA's rights to payments under a Loan Agreement between the NMFA and NMSHTD. $100,230,000 of Federal Highway Grant Anticipation Revenue Bonds were issued on September 1, 1998. The Obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a revenue pledge, which consists of certain revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

State Capitol Improvement Financing Fund. The laws of 1997, Chapter 178, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $10,155,000 for the purpose of repairing, remodeling, constructing and equipping a State building located adjacent to the state capitol in Santa Fe known as the New Mexico state library and for relocation-associated renovations in the state capitol. $510,000 of revenue bonds were issued on May 17, 1999, and $8,805,000 of revenue bonds were issued on June 1, 1999, for a total outstanding of $9,315,000. Monthly, all income and distributions creditable to the capitol buildings repair fund shall be

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

distributed by the State Treasurer to the Authority and are appropriated to the Authority to be pledged irrevocable for the payment of the bonds.

Metro Court Financing Fund. The laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. As of June 30, 1999, bonds have not been issued. On April 13, 1999, the Bernalillo County Metropolitan Court entered into an interim loan agreement with the Authority in the amount of $5,000,000 for the purpose of providing interim financing for any project approved or funded by the Legislature prior to issuance of revenue bonds. The pledged revenues for the project consist of a portion of the docketing fees and costs collected by various courts of the state, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the motor vehicle code involving the operation of a motor vehicle.

Non Expendable Trust Fund

New Mexico Drinking Water State Revolving Loan Fund. The New Mexico Drinking Water State Revolving Loan Fund Act (Act) creates the New Mexico Drinking Water State Revolving Loan Fund (DWRLF), which is administered by the Authority.

The Authority is charged with establishing, in cooperation with the New Mexico Environment Department, a loan program to provide local authorities with low-cost financial assistance in the construction of necessary drinking water facilities.

Money deposited into the DWRLF may be used: 1) to make loans at or below the market rate for eligible purposes for terms no longer than twenty years after completion of construction (loans for disadvantaged communities are the exception and may be for terms up to thirty years); 2) to buy or refinance a municipality's debt obligation, if combined with a new project, if the debt was incurred after July 1, 1993; 3) to guarantee or buy insurance for a local obligation to improve credit access or market rates; 4) as a source of revenue of security for the payment of principal and interest on revenue or general obligation bonds issued by the State, if the proceeds will be deposited in the DWRLF; and, 5) to earn interest on the amounts deposited into the DWRLF.

The Act states further that grants from the federal government or its agencies, allotted to New Mexico for capitalization of the DWRLF, shall be directly deposited into the DWRLF and the Authority shall maintain full authority for the operation of the DWRLF, in accordance with applicable federal and state law.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State matching funds were appropriated with the passage of House Bill 1277, (Laws 1997, Chapter 170) by the 1997 Legislature. House Bill 1277 appropriated \$2,551,960 from the PPRF to the DWRLF. During 1999 the \$2,551,960 was accounted for as grant expense in the PPRF and as grant revenue in the DWRLF.

Agency Fund

Equipment Loan Program. The Authority has established an equipment loan program under the Authority's legislation to assist local government entities in the financing and purchase of equipment. The Authority has issued the following Pooled Equipment Certificates of Participation. In October 1994, the Authority issued \$646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were loaned to ten local governments in the state. On August 29, 1995, NMFA issued \$4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A, the proceeds of which were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued \$2,904,000 aggregate principal amount of its Equipment Program Certificates of Participation, Series 1995B, the net proceeds of which were loaned to the City of Las Cruces. On December 3, 1996, the Authority issued \$1,820,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation Series 1996B, the proceeds of which were loaned to various governmental entities in the state.

The loans are assigned to a trustee by the Authority and the only sources of repayment are various sources of local government revenues secured by intercept agreements and paid to the trustee. These certificates are not an obligation of the Authority. The funds are maintained by the trustees and are held in the Authority's and the local entity's names. Accordingly, these funds are accounted for as agency funds in the financial statements. The certificates of participation meet the criteria of conduit debt obligations. The Authority has decided to record the debt to the general long-term debt account group because of their oversight responsibilities.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer, First Security Bank and with banks acting as bond trustees. Cash in the various programs on deposit with the State Treasurer are invested by the New Mexico State Treasurer in the "overnight" repurchase program. Interest is credited to the various programs based on the programs average monthly balance. Average monthly interest rates are also used in determining the interest to be credited to the various programs. Funds held by the banks and the Authority acting as trustees are invested in money market accounts that invest in United States Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. State law requires that

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

repurchase agreements be secured by collateral with a market value greater than 102 percent of the value of the agreement.

Money in all funds of the Authority may be deposited with the State Treasurer for short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico or any political subdivision of the State or as otherwise provided by the trust indenture or bond resolution, if funds are pledged for or secure payment of bonds issued by the Authority.

Securities. The Authority has purchased State of New Mexico Department of Energy, Minerals and Natural Resources, Jemez Springs, and New Mexico Interstate Stream Commission bonds which are recorded at cost which approximates market value.

Loans. Loans are stated at their principal amount. Interest on loans is accrued for based on the daily principal balance outstanding except when a loan has been past due for 90 days. All significant loans are to governmental entities secured by tax revenue or are loaned to other entities, which are repaying the loans in accordance with their loan agreements. There are no loans past due for more than 90 days at the end of the fiscal year, which would be required to be placed on nonaccrual status.

Allowance for Loan Losses. The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors; including collateral value, past loan loss experience, current facts, and economic conditions. The allowance is based on management's estimates and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and, any necessary adjustments are reported in income in the period they become known.

Property, Furniture and Equipment. Property, furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment purchases with useful lives over one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets which range from 3 to 7 years. In addition, furniture and equipment with lives of one year or less, and maintenance and repairs, which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

Income Taxes. The Authority is a tax exempt, quasi-governmental organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Authority is subject to other Internal Revenue Code sections relating to the tax-exempt status of the bonds issued by the Authority.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Compensated Absences Payable. Full-time employees are entitled to ten days annual leave with four years or less employment with the Authority. Employees with more than four years receive fifteen days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination.

Full-time employees are entitled to twelve days of sick leave each fiscal year. Part-time employees accrue annual leave and sick leave on a prorated basis based on the number of hours they work. A full-time employee may receive cash payment at a rate of fifty percent of their hourly wage for any accrued sick leave in excess of forty hours up to a maximum of one hundred twenty hours on the first full pay period in July. An employee may accrue a maximum of 1,040 hours. Accumulated sick leave is not compensated on termination of employment unless the employee retires. Then the employee can be paid for accrued sick leave in the excess of 600 hours at fifty percent of their hourly wage rate, not to exceed 600 hours. Accrued compensated absences are recorded in the internal service fund.

Budgets and Budgetary Accounting. The Authority prepares a budget for the operations program of the internal service fund and for the DWRLF. Theses budgets are approved by the Authority's board of directors and are also amended by the Authority's board. The budgets are prepared on a cash basis. The differences between the accounting on a budgetary basis and GAAP basis are that capital outlay is a budgetary expenditure and depreciation expense is not a budgetary expenditure and accruals for receivables and payables are made for the GAAP basis. The budgets are used as a guide by management and the Board and are not required by Statute.

Restricted Assets. Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or legislation. The cash and cash equivalents held for others by trustees have the following restricted assets. The "debt service and bond reserve" accounts are used to report resources held by trustee and set aside for future debt service payments. The "program-grant proceeds" account is used to report those proceeds of bond issuances that were issued to finance a grant to another state agency. The "program-bond proceeds" account is used to report those proceeds of bond issues that were loaned to other governmental entities, which the borrowers have not yet expended. The "cash and cash equivalents held for others by the Authority" account is used to segregate bond proceeds that will be used for specific purposes as required by legislation. "Cash and cash equivalent pledged for repayment of bonds and bond expenses held by trustee" is used to report funds set aside for debt repayment, bond issuance, and other costs by the Authority.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Flows. For purposes of the Statement of Cash Flows, the various funds consider all highly liquid assets (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond Discounts, Premiums and Issuance Costs. In governmental fund types, bond discounts, premiums and issuance costs are recognized in the current period. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs.

Fund Equity. The internal service fund unreserved retained earnings deficit represents the cumulative excess of expenses over operating revenues. Reserves represent those portions of fund equity appropriated for or legally segregated for a specific future use.

Use of Estimates. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund and Interagency Transactions. These are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except reimbursements and administrative fee transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Interagency transfers are recorded as operating transfers in (out) to other state agency under the other financing sources (uses) category.

Totals (Memorandum Only) Columns. Totals columns in the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

NOTE 3. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE

Funds held for others and short-term investments are held at the trustees in the name of the applicable government entity and the Authority's. The following is a reconciliation of cash and cash equivalents and funds held for others to the financial statements.

Cash and cash equivalents:	
State Treasurer cash account (#879-385-04)	$ 4,432,097
State Treasurer Local Government Investment Pool	54,876,426
Money market accounts invested in short-term U.S. Treasury obligations	24,149,031
Repurchase agreements	105,571,135
First Security Bank accounts	19,094
	$ 189,047,783

The Authority's deposits are categorized to give an indication of the level of risk assumed by the Authority at year end. Category 1 includes deposits that are insured. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 represents deposits that are required by state statutes to be collateralized at a minimum level of 50 percent. All of the Authority's bank accounts are invested in repurchase agreements. Deposits with the State Treasurer are not required to be categorized.

	Category			Bank Balance	Book Balance
	1	2	3		
Bank repurchase agreements	$ -	208,816	-	208,816	19,094

The Authority has the following bank accounts at First Security Bank at June 30, 1999:

Internal Service Fund	Account Number	Book Balance	Bank Balance
Operating account	631-10003-99	$ 61,535	208,816
Wire transfers	631-10003-73	(42,441)	-
Cash balance		$ 19,094	208,816

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured or unregistered investments, or for which securities are held by the counterparty's trust department or agent in the Authority's name. The Authority does not have any Category 2 investments. Category 3

NOTE 3. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE (CONTINUED)

represents uninsured and unregistered investments, not held in the Authority's name. The Authority does not have Category 3 investments. The fair value of the Authority's investments approximates market at June 30, 1999.

Funds held for others by trustees represent funds held by financial institutions as trustees and paying agents for the Authority for its various bond issues. The source of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts which invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations. The Authority's investments are held by financial institutions in the Authority's name.

NOTE 4. LOANS RECEIVABLE

Loan receivable balances consist of the following at June 30, 1999:

Entity	Loan Balance
Expendable trust funds	
Public Project Revolving Loan Fund	$ 68,832,503
Less:	
Allowance for loan losses	96,854
	68,735,649
Highway 44 Financing Fund	100,230,000
	168,965,649
Nonexpendable trust fund	
Primary Care Capital Fund	1,820,922
	$170,786,571

Public Project Revolving Loan Fund

The Public Projects Revolving Fund loans receivable balance at June 30, 1999, is $68,832,503 and consists of loans made to various entities. Those entities with balances greater than ten percent of the total balance include the City of Santa Fe (defeased through the City of Santa Fe) (24 percent), and Northwest New Mexico Regional Solid Waste Authority (12 percent).

NOTE 4. LOANS RECEIVABLE (CONTINUED)

Terms for the Public Project Revolving Loans vary with interest rates ranging from 3 percent to 6 percent. The following is a summary of future loan principal and interest to be collected based on the loan repayment schedules after year-end:

	Principal	Interest	Total
July 1, 1999 to June 30, 2004	$ 24,731,421	13,594,299	38,325,720
July 1, 2004 to June 30, 2009	14,500,397	10,238,087	24,738,484
July 1, 2009 to maturity in 2024	29,600,685	10,089,541	39,690,226
	$ 68,832,503	33,921,927	102,754,430

An analysis for the allowance for loan losses is as follows:

Balance, beginning of year	$ -
Provision for loan losses	96,854
Balance, end of year	$ 96,854

Management considers non-accrual loans to be impaired. As of June 30, 1999 there are no non-accrual loans. Based on management's analysis, there are no other impaired loans as of June 30, 1999.

Highway 44 Financing Fund

The Highway 44 Financing Fund consists of one loan receivable with the New Mexico State Highway Department for $100,230,000 at June 30, 1999. Terms for the loan include an interest rate of 5.04 percent. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year end.

	Principal	Interest	Total
July 1, 1999 to June 30, 2004	$ 15,175,000	24,762,869	39,937,869
July 1, 2004 to June 30, 2009	29,810,000	17,143,251	46,953,251
July 1, 2009 to maturity in 2015	55,245,000	10,044,471	65,289,471
	$ 100,230,000	51,950,591	152,180,591

No allowance for uncollectible loans has been established as the New Mexico State Highway Department is current on their payments and loan repayments are secured by applicable sources of tax revenues.

NOTE 4. LOANS RECEIVABLE (CONTINUED)

Primary Care Capital Fund

The Primary Care Capital Fund detail of loans receivable at June 30, 1999 is as follows:

Health Centers of Northern New Mexico	$ 478,839
La Clinica De La Familia	437,903
La Clinica Del Pueblo De Rio Arriba	388,841
La Clinica Del Norte	265,000
Pecos Valley Medical Center	118,485
Choice Health Care	131,854
	$ 1,820,922

Terms for each loan vary with interest rates at 3 percent. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year end.

	Principal	Interest	Total
July 1, 1999 to June 30, 2004	$ 568,612	214,224	782,836
July 1, 2004 to June 30, 2009	560,580	146,155	706,735
July 1, 2009 to maturity in 2014	691,730	58,122	749,852
	$ 1,820,922	418,501	2,239,423

No allowance for uncollectible loans has been established as the primary care facilities loan repayments are secured by applicable sources of pledged receivables.

NOTE 5. SECURITIES

At June 30, 1999, securities for the Public Projects Revolving Fund (PPRF) consisted of $15,986,198 Department of Energy, Minerals, and Natural Resources Bonds (Series 1995A, 1995B, 1996A, 1996B, 1997A, 1997B, 1998A, and 1998B). $54,290 of Jemez Springs Bonds and $1,846,677 of Interstate Stream Commission Bonds (Series 1998). The Department of Energy, Minerals, and Natural Resource Bonds have interest rates ranging from 3 percent to 5.95 percent with final maturity on June 1, 2017. The Jemez Springs Bonds have interest rates ranging from 4.20 percent to 5.45 percent with a final maturity on May 1, 2012. The New Mexico Interstate Stream Commission Bonds have interest rates ranging from 5.92 percent to 6.19 percent with final maturity on May 1, 2000. The securities are carried at cost which approximates market value.

The following is a summary of future maturity and interest to be collected based on contractual maturity of the securities after year-end.

	Principal	Interest	Total
July 1, 1999 to June 30, 2004	$ 4,200,341	4,170,684	8,371,025
July 1, 2004 to June 30, 2009	5,096,580	3,027,712	8,124,292
July 1, 2008 to maturity in 2018	8,590,244	2,089,984	10,680,228
	$ 17,887,165	9,288,380	27,175,545

NEW MEXICO FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999

NOTE 6. DUE FROM/TO OTHER FUNDS AND TRANSFERS

Due from and due to other funds as reported in the combined balance sheet as of June 30, 1999 are as follows:

	Due From	Due To
Internal service fund	$ 60,086	7,994
Expendable trust funds:		
Public Projects Revolving Fund	7,994	-
Administrative Fee Revenue Program Fund	-	36,402
Agency Funds:		
1994 Equipment Program	-	1,752
1995 Equipment Program	-	5,627
1996A Equipment Program	-	6,443
Nonexpendable trust fund:		
DWRLF	-	9,862
	$ 68,080	68,080

Transfers from and to other funds as reported for the year ended June 30, 1999 are as follows:

	Transfers From	Transfers To
Expendable trust funds:		
Public Projects Revolving Fund	$ 200,000	-
Insurance Department Financing Fund	-	200,000
Internal service fund:		
Cigarette Tax Program	383,111	-
Operations	-	371,928
Non expendable trust fund:		
DWRLF	-	11,183
	$ 583,111	583,111

NOTE 7. DUE TO OTHER STATE AGENCIES, GRANTS AND TRANSFERS

During the 1996 fiscal year, the Authority granted the State of New Mexico Environment Department (Environment) $9,000,000 from the bond proceeds of the Public Project Revolving Fund Series 1995A and 1995B bonds, and during the 1997 fiscal year, the Authority granted $16,000,000 from the bond proceeds of the Public Project Revolving Fund Series 1996A and B bonds issued under the Authority's legislation and joint powers agreement with Environment. The Environment grant bond proceeds and interest income earned totaling $12,921,494 are accounted for in the Public Project Revolving Fund balance sheet under restricted assets as cash and cash equivalents held for state agency and due to state agencies.

The following expendable trust funds transferred these amounts to the following entities for the year ended June 30, 1999:

Court Automation Financing Fund transferred $2,737,064 to the Administrative Office of the Courts. $1,996,537 were rebated back to the Courts and $740,527 was for the purchase of computer hardware.

Workers' Compensation Financing Fund transferred $2,163,884 to the General Services Department. $466,796 were funds rebated back to Workers' Compensation and $1,697,088 were funds for construction of a building.

The Administrative Fee Revenue Program Fund transferred $6,931,871 to the Taxation and Revenue Department for the TRIMS Project. $5,000,000 was transferred for an Interim Loan.

Insurance Department Financing Fund transferred $200,000 to the New Mexico Department of Insurance for their purchase of information and communication equipment.

Metro Court Financing Fund transferred $112,084 to the Administrator of Metro Court for their preliminary studies related to building construction.

NOTE 8. FIXED ASSETS

Fixed assets are accounted for at cost in the internal service fund and the DWRLF at June 30, 1999 and consist of the following:

	Internal Service Fund	DWRLF
Furniture, fixtures and equipment	$ 96,317	88,366
Less accumulated depreciation	69,454	20,422
Net fixed assets	$ 26,863	67,944

NOTE 9. BONDS PAYABLE

Bonds outstanding as of June 30, 1999, for the Authority's internal service fund consists of:

Special Cigarette Tax Revenue Bonds. In July 1996, the Authority sold $6,000,000 of Special Cigarette Tax Revenue Bonds as part of the internal service fund cigarette tax program. The purpose of the bonds are for the designing, constructing, equipping and furnishing an addition to the University of New Mexico Cancer Center. The bonds are secured by the Authority's cigarette tax revenue.

Bonds outstanding as of June 30, 1999, for the Authority's expendable trust funds consist of the following:

Workers' Compensation Financing Fund. In July 1996, the Authority sold $4,310,000 of New Mexico Finance Authority Workers' Compensation Administration Building Revenue Bonds Series 1996. The proceeds are for the acquisition of land and construction of an office building for the Workers' Compensation Administration. The bonds are solely payable from the revenues derived from the first $.40 of the quarterly workers' compensation assessment paid to the Authority.

NOTE 9. BONDS PAYABLE (CONTINUED)

Public Projects Revolving Funds.

Series 1995A and 1995B. In July 1995, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1995A and Taxable Series 1995B in the aggregate principal amounts of $41,230,000 and $4,000,000, respectively.

Series 1996A and 1996B. In September 1996, the Authority issued its Public Project Revolving Fund, Series 1996A and 1996B in the aggregate principal amounts of $17,625,000 and $3,500,000, respectively. The proceeds of such bonds were used to make loans to numerous governmental entities and to purchase bonds from the Department of Energy, Minerals and Natural Resources. A portion of the proceeds of such bonds were used to make a $9,000,000 grant in 1996 and a $16,000,000 grant in 1998 to the Environment Department in exchange for a pledge of the Environment Department's share of certain monies to the Authority to repay all outstanding public project revolving fund bonds.

Series 1997A. On December 1, 1997, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1997A in the aggregate principal amount of $8,585,000. The Series 1997 Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1998 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1997A Bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources as investment securities.

Series 1999A, 1999B, 1999C, and 1999D. On January 1, 1999, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1999A and 1999B (tax-exempt) and Series 1999 and 1999D (taxable) in the aggregate amount principal amounts of $13,135,000, $3,025,000, $2,265,000, and $4,875,000 respectively. The Series 1999 Bonds were issued by the Authority to reimburse the Public Project Revolving Loan Fund for loans made to the 1999 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1999 bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources and the New Mexico Interstate Stream Commission's investment securities. All of the bonds are secured from the Authority's portion of governmental gross receipts tax and income and principal from the loans and investments financed by the proceeds of the issue.

NOTE 9. BONDS PAYABLE (CONTINUED)

Insurance Department Financing Fund. On May 23, 1996, the Authority issued $525,000 of New Mexico Finance Authority Insurance Department Surcharge Revenue Bonds, which was refunded on December 1, 1998 and reissued at $400,000, to finance information and communication equipment for the New Mexico Department of Insurance. A $3 surcharge on insurance agents annual fee is the only pledged revenue source for the repayment of the bonds and is paid to the Authority.

Court Automation Financing Fund. On June 25, 1996, the Authority issued $8,500,000 of New Mexico Finance Authority Court Automation Fee Revenue Bonds. The bonds were issued to finance the costs of acquiring court automation systems, including accusation, development and installation of computer hardware and software, for the Administrator Office of the Court of the State of New Mexico. The bonds are payable from and secured only by a pledge of a portion of certain docketing fees imposed and collected by the courts in the state and certain costs collected in connection with motor vehicle and other violations. These fees and costs are paid to the Authority.

Administrative Fee Revenue Program Fund (TRIMS Project) Series 1997A. On September 11, 1997, the Authority issued $17,440,600 of New Mexico Finance Authority (TRIMS Project) revenue bonds. The bonds were issued to finance an information management system to assist in tax collections to be used by the New Mexico Taxation and Revenue Department (NMTRD). The principal and interest on the Series 1997A Bonds are payable solely from and secured solely by the pledged revenues, which include revenues from administrative fees payable to and withheld by NMTRD from collections of municipal and country local option gross receipts taxes, and administrative fees from collections of solid waste assessment fees, boat excise tax and registration fees, tax intercept payments and water conservation fees, as well as proceeds of the series 1997A Bonds and investment earnings on the proceeds and revenues.

Highway 44 Financing Fund. On September 1, 1998, the Authority issued $100,230,000 of Federal Highway Grant Anticipation Revenue Bonds. The bonds were issued to finance the cost of an infrastructure project, which includes the acquisition, construction, expansion and improvement of approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes by the New Mexico State Highway and Transportation Department ("NMSHTD"), and are payable solely from the Authority's rights to payments under a Loan Agreement between the Authority and NMSHTD. The obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a pledge, which consist of revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

NOTE 9. BONDS PAYABLE (CONTINUED)

State Capital Improvement Financing Fund. On May 11, 1999, the Authority issued $9,315,000 of New Mexico Finance Authority State Capitol Building Improvement Revenue Bonds, Taxable Series 1999. The bonds were issued for the purpose of repairing, remodeling, constructing and equipping the New Mexico State Library and for relocation associated renovations in the State Capital.

Bonds outstanding are direct obligations of the Authority for which its full faith and credit are pledged and are payable from pledged tax revenues of various entities. During fiscal year 1999, the Authority issued $132,845,000 in new bonds.

	Amount	Interest Rate	Final Maturity
Internal service fund			
Special Cigarette Tax Revenue Bond	$ 4,200,000	4.80-5.25%	June 1, 2006
Expendable trust funds			
PPRF 1995A	34,625,000	4.65-6.45	June 1,2023
PPRF 1996A and B	17,565,000	4.40-6.00	July 1, 2021
PPRF 1997	8,025,721	4.25-4.90	June 1, 2017
PPRF 1999A, B, C and D	22,170,000	3.30-6.30	June 1, 2018
Workers Compensation Financing Fund	4,060,000	5.00-5.60	Sept. 1, 2016
Insurance Department Financing Fund	300,000	3.75-4.00	June 15, 2003
Court Automation Financing Fund	5,355,000	4.60-4.90	June 1, 2003
Administration Fee Revenue Program	14,560,600	(a)	Jan.1, 2007
Highway 44 Financing Fund	100,230,000	3.95-5.25	Sept. 1, 2015
State Capitol Improvement Financing Fund	9,315,000	7.0	March 15, 2015
	216,206,321		
Total	$220,406,321		

(a) Interest on the Series 1997A Bonds will be paid at the lesser of (a) a weekly rate or long-term interest rates as selected by the Authority and as determined in accordance with the First Supplemental Indenture and (b) the maximum rate, or, when a letter of credit secures the payment of the Series 1997A Bonds, such lower maximum rate as may be specified in the letter of credit. Interest will initially be payable at a weekly rate, as set forth in the First Supplemental Indenture. The Authority may change the interest rate determination method to a long-term interest rate mode. Such a change will result in the Series 1997A Bonds becoming subject to mandatory tender for purchase on the effective date of such change. While there exists an Event of Default

NOTE 9. BONDS PAYABLE (CONTINUED)

under the indenture, the interest rate of the Series 1997A Bonds will be the rate on the Series 1997A Bonds on the day before the event of default occurred. At no time will the Series 1997A bond bear interest at a rate in excess of 12 percent.

The annual requirement to amortize the bonds outstanding is as follows:

	Principal	Interest	Total
2000	$ 9,903,989	10,829,286	20,733,275
2001	9,548,765	10,453,533	20,002,298
2002	17,335,042	10,023,785	27,358,827
2003	13,450,804	9,321,758	22,772,562
2004	10,205,000	8,714,138	18,919,138
Thereafter	159,962,721	61,025,560	220,988,281
	$220,406,321	110,368,060	330,774,381

NOTE 10. GENERAL LONG-TERM DEBT

The Authority has issued Certificates of Participation under the Equipment Loan Program. The proceeds are loaned to various governmental entities to purchase equipment. The loans have been assigned to trustees. The certificates are secured by various sources of local government revenues secured by intercept agreements which direct sources of revenues from the borrowers to the trustees. The certificates are not an obligation of the State of New Mexico or the Authority. However, the Authority has decided to record the debt to the general long-term debt account group because of its oversight responsibilities.

In October 1994, the Authority issued $646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were used to make loans to ten local governments in the State. On August 29, 1995, the Authority issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A. The proceeds were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued $2,904,000 aggregate principal amount of its Equipment Program Certificates of participation, Series 1995B. The net proceeds were loaned to the City of Las Cruces. On March 19, 1996, the Authority issued $1,458,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1996A. The net proceeds were loaned to thirteen local governmental entities in the state. On December 3, 1996, the Authority issued $1,820,000 aggregate principal amount of its Pooled Equipment

NOTE 10. GENERAL LONG-TERM DEBT (CONTINUED)

Program Certificates of Participation Series 1996B. The net proceeds were loaned to various governmental entities in the state. Interest rates on the equipment loans range from 4.5 percent to 6.3 percent.

The following changes occurred in the general long-term debt account group for the year ended June 30, 1999:

	June 30, 1998 Balance	Additions	Deletions	June 30, 1999 Balance
1994 Equipment Issue	$ 328,000	-	61,000	267,000
1995 Equipment Issue A	2,819,000	-	724,000	2,095,000
1995 Equipment Issue B	2,423,000	-	256,000	2,167,000
1996 Equipment Issue A	983,000	-	383,000	600,000
1996 Equipment Issue B	1,716,000	-	136,000	1,580,000
	$ 8,269,000	-	1,560,000	6,709,000

The annual requirement to amortize the equipment issues as of June 30, 1999 is as follows:

Maturity	Principal	Interest	Total
2000	$ 1,339,000	317,822	1,656,822
2001	771,000	250,648	1,021,648
2002	715,000	196,799	911,799
2003	602,000	159,848	761,848
2004	607,000	137,639	744,639
Thereafter to 2016	2,675,000	582,874	3,257,874
	$ 6,709,000	1,645,630	8,354,630

NOTE 11. OPERATING LEASES

The Authority is committed under various lease agreements for office space, copying equipment and a vehicle. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 1999 amounted to approximately $80,000. Future minimum lease payments for these leases are as follows:

Year Ending June 30	
2000	$ 79,236
2001	12,500
	$ 91,736

NOTE 12. RETIREMENT PLAN

The Authority had established its own retirement plan since it cannot participate through the Public Employees Retirement Act (PERA) multiple employer public retirement system. The Authority also does not participate in the Retiree Health Care Act. This retirement plan was organized under Section 408(k) of the Internal Service Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make a voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested and the Authority contributions will vest 100% to the employee after five years. The contributions are invested in various mutual funds. The Authority's contribution for this retirement plan was approximately $67,650 for the year ended June 30, 1999. Substantially all full time employees participate in this plan.

NOTE 13. BUDGETARY INFORMATION

The Authority budgets the operations program component of the internal service fund and the DWRLF. The following budgetary information is for the period ended June 30, 1999 (Non-GAAP Budgetary Basis):

Operations

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Administrative fees	$ 376,258	299,970	(76,288)
Primary care reimbursements	25,000	-	(25,000)
Interest income	-	23,958	23,958
Total revenues	401,258	323,928	(77,330)
Operating transfer in	382,328	383,341	1,013
Total revenues and transfer in	$ 783,586	707,269	(76,317)

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personal services	$ 372,627	374,570	(1,943)
Employee benefits	117,850	118,244	(394)
In-state travel	13,500	13,307	193
Maintenance and repairs	3,267	7,668	(4,401)
Office supplies	14,000	18,243	(4,243)
Contractual services	114,790	101,757	13,033
Operating costs	114,473	119,566	(5,093)
Out-of-state travel	11,400	3,157	8,243
Total current expenditures	761,907	756,512	5,395
Capital outlay	21,679	21,304	375
Total expenditures	$ 783,586	777,816	5,770

Reconciliation of budgetary basis to GAAP:	
Excess (deficiency) of revenues and other sources over expenditures	$ (70,547)
Less: Operating transfers out	(11,412)
Less: Depreciation	(16,351)
Less: Accrued compensated absences	(15,323)
Plus: Capital outlay capitalized	21,304
Net loss per schedule 2	$ (92,329)

NOTE 13. BUDGETARY INFORMATION (CONTINUED)

DWRLF

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Grant revenue	$ 319,160	3,304,414	2,985,254
Transfer in	-	11,183	11,183
Interest	-	108,975	108,975
Total revenues and transfer in	$ 319,160	3,424,572	3,105,412

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personal services	$ 95,614	68,966	26,648
Employee benefits	29,422	21,291	8,131
In-state travel	7,000	2,242	4,758
Maintenance and repairs	733	589	144
Office supplies	6,000	4,667	1,333
Contractual services	140,525	41,650	98,875
Operating costs	25,675	18,360	7,315
Out-of-state travel	4,900	3,642	1,258
Total current expenditures	309,869	161,407	148,462
Capital outlay	9,291	27,152	(17,861)
Operating transfer out	-	695,051	(695,051)
Total expenditures	$ 319,160	883,610	(564,450)

Reconciliation of budgetary basis to GAAP:	
Excess of revenues and other sources over expenditures	$ 2,540,962
Less: Depreciation	(20,977)
Plus: Capital outlay	27,153
Net income per statement C-2	$ 2,547,138

NOTE 14. FUND BALANCE/EQUITY (DEFICITS)

The fund balance deficits in the Court Automation Financing Fund, Workers' Compensation Financing Fund, and Administrative Fee Revenue Fund are caused by the transfer of bond proceeds to the respective other state agencies. The deficits will be eliminated as future pledged revenues are received by the Authority.

NOTE 15. CONTINGENCIES

The Authority is exposed to various risks of loss for which the Authority carries insurance (Auto; Employee Fidelity Bond; General Liability, Civil Rights; Property; and Worker's Compensation) with the State of New Mexico Risk Management Division and with private insurance companies.

The Authority is not subject to any legal proceedings, claims or liabilities at June 30, 1999.

NOTE 16. SUBSEQUENT EVENTS AND LOAN COMMITMENTS

Subsequent Events

After June 30, 1999, the Authority issued the following debt:

Administrative Fee Revenue Bonds (TRIMS Project) Series 1999A – On September 28, 1999 the Authority issued $16,269,000 of revenue bonds to finance a portion of an information management system to assist in tax collections and administration to be used by the New Mexico Taxation and Revenue Department (NMTRD). The principal of, and interest on the Series 1999A Bonds are payable solely from and secured solely by the Pledged Revenues from administrative fees payable to and withheld by NMTRD from collections of municipal and county local option gross receipts taxes and other administrative fees collected by the NMTRD based on various taxes and assessments. Principal repayments will be due through January 2007. Interest on the Series 1999A Bonds will be paid at the lesser of (a) a Weekly Rate or Long-Term Interest Rates as selected by the Authority and as determined in accordance with the Indenture and (b) the Maximum Rate (12 percent per annum), or, when a Letter of Credit secures the payment of the Series 1999A Bonds, such lower maximum rate as may be specified in the Letter of Credit.

NOTE 16. SUBSEQUENT EVENTS AND LOAN COMMITMENTS (CONTINUED)

Court Automation Fee Revenue Bonds Series 1999 - The Authority will issue revenue bonds in the amount of $3,500,000, to finance the costs of acquiring court automation systems for the Administrative Office of the Courts of the State of New Mexico. The Bonds are payable from and secured by a pledge of a portion of certain docketing fees imposed and collected by the courts in the State and certain costs collected in connection with motor vehicle and other violations. Principal repayments will be due through June 2006. The Bonds are scheduled to close November 2, 1999, and the interest rate on the Bonds will be determined at the time of closing.

After June 30,1999, the Authority issued following PPRF Direct Loans:

City of Carlsbad - On July 15, 1999, the Authority lent the City of Carlsbad $611,112 from the Public Projects Revolving Fund. The loan was for the purpose of purchasing solid waste processing equipment. The term of the loan is five years. The interest rate is 4.167 percent with principal payments due through May 2004.

Village of Questa - On July 26, 1999, the Authority lent the Village of Questa $120,978 from the Public Projects Revolving Fund. The loan was for the acquisition of a Class A pumper fire truck. The term of the loan is seven years. The interest rate is 1.779 percent with principal payments due through May 2006.

Torrance County Solid Waste Authority - On July 30, 1999, the Authority lent Torrance County $556,119 from the Public Projects Revolving Fund. The loan was for the purpose of construction of solid waste facilities for the region. The term of the loan is ten years. The interest rate is 4.381 percent with principal payments due through May 2009.

Sierra County-Caballo Fire Dept. - On August 3, 1999, the Authority lent Sierra County $109,388 from the Public Projects Revolving Fund. The loan was for the acquisition of a Class A fire pumper truck. The term of the loan is eleven years. The interest rate is 1.683 percent with principal payments due through May 2010.

Chaves County - On August 4, 1999, the Authority lent the County $1,816,667 from the Public Projects Revolving Fund. The loan was for the purpose of purchasing equipment for the purpose of maintaining, repairing or improving county roads and bridges. The term of the loan is five years. The interest rate is 4.424 percent with principal payments due through May 2004.

NOTE 16. SUBSEQUENT EVENTS AND LOAN COMMITMENTS (CONTINUED)

City of Portales - On August 26, 1999, the Authority lent the City $561,112 from the Public Projects Revolving Fund. The loan was for the purpose of acquisition and remodeling of a building for a recreation center. The term of the loan is twenty years. The interest rate is 5.233 percent with principal payments due through May 2019.

Colfax County-Ute Fire Dept. - On August 17, 1999, the Authority lent the County $82,052 from the Public Projects Revolving Fund. The loan was for the acquisition of a pumper fire truck. The term of the loan is ten years. The interest rate is 3.118 percent with principal payments due through May 2009.

Harding County-Fire District #1 - On August 23, 1999, the Authority lent the County $123,078 from the Public Projects Revolving Fund. The loan was for the acquisition of a Class A pumper fire truck. The term of the loan is eleven years. The interest rate is 3.677 percent with principal payments due through May 2010.

City of Elephant Butte - On August 30, 1999, the Authority lent the City $92,308 from the Public Projects Revolving Fund. The loan was for the acquisition of a fire truck. The term of the loan is seven years. The interest rate is 4.493 percent with principal payments due through May 2006.

City of Gallup - On September 2, 1999, the Authority lent the City $1,672,223 from the Public Projects Revolving Fund. The loan was for the acquisition, construction and equipping of a new water well. The term of the loan is twenty years. The interest rate is 5.19% with principal payments due through May 2019.

City of Gallup – On September 2, 1999, the Authority lent the City $488,889 from the Public Projects Revolving Fund. The loan was for the acquisition of two pumper fire trucks. The term of the loan is ten years. The interest rate is 4.648 percent with principal payments due through May 2010.

Dona Ana County – On September 7, 1999, the Authority lent the County $61,539 from the Public Projects Revolving Fund. The loan was for the construction of a building addition for the East Mesa Fire Substation. The term of the loan is six years. The interest rate is 3.00 percent with principal payments due through May 2005.

Village of Ruidoso Downs – On September 14, 1999, the Authority lent the Village $409,267 from the Public Projects Revolving Fund. The loan was for the acquisition of land and construction of a fire station for the Village. The term of the loan is twenty years. The interest rate is 3.005 percent with principal payments due through May 2019.

NOTE 16. SUBSEQUENT EVENTS AND LOAN COMMITMENTS (CONTINUED)

Lincoln County – On September 28, 1999, the Authority lent the County $47,710 from the Public Projects Revolving Fund. The loan was for the acquisition of a fire station for the White Oaks Volunteer Fire Department. The term of the loan is eleven years. The interest rate is 3.00 percent with principal payments due through May 2010.

Lincoln County – On September 28, 1999, the Authority lent the County $128,206 from the Public Projects Revolving Fund. The loan was for the acquisition of a fire station for the Bonito Volunteer Fire District. The term of the loan is eleven years. The interest rate is 3.775 percent with principal payments due through May 2010.

APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements are extracts, supplementing the information in the body of the Official Statement, of certain provisions of the Indenture. These extracts do not purport to be complete and reference is made to the Indenture for a full and complete statement of such provisions. See "ADDITIONAL INFORMATION."

The following are certain definitions contained in the Indenture and extracts of certain provisions contained in the General Indenture and is not to be considered as a full statement thereof. Reference is hereby made to the Indenture for full details of all of the terms of the Bonds, the security provisions appertaining thereto and the other terms thereof. During the offering period of the Series 2000B-C Bonds, copies of the Indenture will be available at the principal office of the Underwriters. Subsequent to the offering of the Series 2000B-C Bonds, copies of the Indenture may be obtained from the Trustee.

CERTAIN DEFINITIONS

"Account" or "Accounts" means one or more of the special trust accounts created and established pursuant to the Indenture.

"Act" means the New Mexico Finance Authority Act, being Sections 6-21-1 through 6-21-31, inclusive, NMSA 1978, as amended and as the same may hereafter be amended and supplemented.

"Additional Bonds" means any Bonds of the NMFA, including the Series 2000B-C Bonds, Series 2000A Bonds, the Series 1999A-D Bonds, Series 1997 Bonds and the Series 1996 Bonds, authorized and issued under the Indenture, except for the Series 1995 Bonds.

"Additional Pledged Loans" means any additional loans or securities which (i) were made or purchased by the NMFA from amounts on deposit in the Public Project Revolving Fund and (ii) the payments of principal and interest on which have been specifically pledged by the NMFA to the payment of the Bonds and other amounts due under the Indenture. No such loans or securities shall be deemed to be Additional Pledged Loans unless the Trustee has received written notice from the NMFA that a specific loan or security will be included under the Indenture.

"Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Agreement" or "Agreements" means, as the case may be, one or more Loan Agreements, Grant Agreements or Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of a Project by the NMFA under the General Indenture.

"Agreement Pledged Revenues" means the pledged revenues designated by a Governmental Unit for payments to be made pursuant to the respective Loan Agreement, Security Documents or Securities.

"Agreement Reserve Fund" means the Agreement Reserve Fund established by the Indenture and each Agreement Reserve Account, if any, created by an Agreement therein.

"Agreement Reserve Requirement" for each Agreement establishing an Agreement Reserve Account, means the amount, if any, required by such Agreement to be allocated to an Agreement Reserve Account (relating to such Agreement) within the Agreement Reserve Fund.

"Approval of Bond Counsel" means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

CATEGORY OF LOANS AND ADDITIONAL PLEDGED LOANS	APPLICABLE PERCENTAGE
CATEGORY I LOANS AND ADDITIONAL PLEDGED LOANS	100%
CATEGORY II LOANS AND ADDITIONAL PLEDGED LOANS	80%
CATEGORY III LOANS AND ADDITIONAL PLEDGED LOANS	50%
CATEGORY IV LOANS AND ADDITIONAL PLEDGED LOANS	0%

"Authorized Denominations" with respect to the Series 2000B-C Bonds, \$5,000 or any integral multiple thereof.

"Authorized Officer" means: (i) in the case of the NMFA, the Chair, any Vice Chair, Secretary, or Treasurer, and when used with reference to any act or document also means any other person authorized by *resolution* of the NMFA to perform such act or execute such documents; (ii) in the case of a Governmental Unit, means the person or persons authorized by resolution or ordinance of the Governmental Unit to perform any act or execute any document; and (iii) in the case of the Trustee or the Paying Agent any person authorized to perform any act or sign any document by or pursuant to the bylaws or any resolution of the governing body of the Trustee or the Paying Agent, respectively.

"Bond Counsel" means nationally recognized bond counsel experienced in matters of municipal law, satisfactory to the Trustee and listed in the list of municipal bond attorneys, as published semiannually by The Bond Buyer, or any successor publication.

"Bond Fund" means the fund by that name established by the Indenture, to be held by the Trustee and used to pay amounts due on the Bonds.

"Bond Fund Year" means a twelve-month period ending on June 1 of each year.

"Bond Documents" means collectively, the Loan Agreements, the Grant Agreements, the Securities, the Security Documents, and the Indenture.

"Bond Registrar" or "Registrar" means the Trustee or any other registrar appointed under the Indenture.

"Bonds" means all Bonds issued under and secured by the Indenture.

"Business Day" shall mean any day, other than a day on which banks located in New York, New York or the cities in which the Principal Offices of the Trustee or the Paying Agent are located are required or authorized by law or executive order to close, or on which the New York Stock Exchange is closed.

"Cash Flow Statement" means an NMFA certificate (a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate:

(1) the amount of NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(2) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(3) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding;

and (b) showing that in each such Bond Fund Year, the aggregate of the amount set forth in clause (A) of the definition divided by 1.35, plus the aggregate amount set forth in clause (B) of the definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of the definition. For purposes of the foregoing definition the following assumptions shall apply:

(a) NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period in the 24 months next preceding the delivery of the Cash Flow Statement;

(b) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(c) Loans and Additional Pledged Loans will be assumed to remain in their then current category designations throughout the period projected in the Cash Flow Statement.

"Category I Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in at least the third highest full rating category or higher by the Rating Agency.

"Category II Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

"Category III Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are not designated or rated or are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Non-Performing Loans and Additional Pledged Loans and Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been fully replenished in accordance with the related Agreement.

"Code" means the Internal Revenue Code of 1986, as amended and the applicable regulations thereunder.

"Covenant Default" has the meaning, if any, given in any Loan Agreement, Securities or Additional Pledged Loan.

"Debt Service Fund" means the fund by that name established by the Indenture to be held by the Trustee and each Account created therein.

"Funds and Accounts" means collectively, the Debt Service Fund and the Accounts created therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, and the Bond Fund.

"Governmental Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Governmental Units" means any "qualified entity" under the Act which has executed and delivered to the NMFA a Loan Agreement, Grant Agreement or Securities for the purpose of financing all or a portion of a Project.

"Grant Agreements" means a grant or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and does not require payments by the Governmental Unit to be made thereunder.

"Grants" means collectively, the Grants made pursuant to the Grant Agreements.

"Indenture" means the General Indenture of Trust and Pledge and all Supplemental Indentures thereto.

"Interest Component" means the portion of each Loan Payment representing interest on the related Loan.

"Interest Payment Date" shall, with respect to the Series 2000B-C Bonds, each June 1 and December 1, commencing June 1, 2001.

"Loan Agreement" means a loan or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and requires the Governmental Unit to repay the amounts advanced.

"Loan Payment" means the payments made by each Governmental Unit pursuant to the provisions of a Loan Agreement or Securities and which are to be used in accordance with the Indenture.

"Loan Payment Date" means the date specified in each Loan Agreement or Securities as the due date for Loan Payments.

"Loans" means collectively, the Loans made pursuant to the Loan Agreements and the Securities; excluding, however, all Additional Pledged Loans. Loans and Additional Pledged Loans may be evidenced by the same document containing two or more separate obligations.

"NMFA Portion of the Governmental Gross Receipts Tax" means an amount equal to 75% of the net receipts attributable to the governmental gross receipts tax levied pursuant to Section 7-9-4.3, NMSA 1978, as amended, and distributed to the NMFA pursuant to Section 7-1-6.38, NMSA 1978, as amended.

"Nonperforming Loans and Additional Pledged Loans" means Loan Agreements and Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a Covenant Default) or under which a delinquency exists in payments of principal or interest thereunder.

"Original Issue Date" means, with respect to the Series 2000B-C Bonds, September 1, 2000.

The terms "Outstanding" or "Bonds outstanding" mean all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(1) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(2) any Bond (or any portion thereof) (i) for the payment or redemption of which there shall be held in trust under the Indenture and set aside for such payment or redemption, moneys and/or Governmental Obligations (not callable at the option of the issuer thereof) maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Governmental Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or redemption price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any

such Bond (or any portion thereof) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee; and

(3) Bonds deemed paid pursuant to the provisions of the Indenture; and

(4) Bonds in lieu of which others have been authenticated pursuant to the Indenture.

"Participants" means underwriters, securities brokers and dealers, banks and trust companies, clearing corporations and other persons from time to time for which DTC or any successor Securities Depository holds Series 2000B-C Bonds as Securities Depository.

"Paying Agent" means the Trustee or any successor or additional paying agent appointed pursuant to the Indenture.

"Permitted Investments" (i) with respect to the investment of the respective Accounts of the Program Fund, the Agreement Reserve Fund and the Debt Service Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund and the Rebate Fund or any other fund created under the Indenture, the following to the extent permitted by New Mexico law:

(a) Governmental Obligations;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Farmers Home Administration* (FmHA)
Certificates of Ownership;

ii) *Federal Housing Administration (FHA) Debentures;*

iii) *General Services Administration* Participation certificates;

iv) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations (participation certificates);

v) *U.S. Maritime Administration* Guaranteed Title XI financing;

vi) *U.S. Department of Housing and Urban Development* (HUD)
Project Notes
Local Authority Bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Federal Home Loan Bank System*
Senior debt obligations (Consolidated debt obligations);

ii) *Federal Home Loan Mortgage Corporation* (FHLMC or "Freddie Mac")
Participation Certificates (Mortgage-backed securities)
Senior debt obligations;

iii) *Federal National Mortgage Association* (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal);

iv) *Student Loan Market Association* (SLMA or "Sallie Mae") Senior debt obligations;

v) *Resolution Funding Corp.* (REFCORP) Only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book-entry form are acceptable;

vi) *Farm Credit System*
Consolidated systemwide bonds and notes;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's Ratings Group ("S&P") of "AAAm-G," "AAAm" or "AAm" or by Moody's Investors Service, Inc. ("Moody's") of "Aaa";

(e) Certificates of deposit ("CD") secured at all times by collateral described in (a) and/or (b) above. CD's must have a one-year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+"or better by S&P, and "Prime-1" or better by Moody's. The collateral must be held by a third party and the third party must have a perfected first security interest in the collateral:

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BID and SAIF;

(g) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P;

(h) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies;

(i) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1+" by S&P;

(j) Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date; provided, however, that the repurchase agreement must satisfy certain criteria articulated in writing to the NMFA by the Rating Agency;

(k) Investment contracts with providers the long term, unsecured debt organization of which are rated at least "A" by the Rating Agency; and

(l) deposits with the Treasurer of the State for investment in obligations described above.

"Prepayment" means the amount paid by a Governmental Unit pursuant to the provisions of its Loan Agreement or Securities as a prepayment of all or a portion of the principal balance due under its Loan Agreement or a prepayment of the principal amount of the Securities.

"PrincipalComponent" means the portion of each Loan Payment representing principal on the related Loan.

"Program" means the NMFA's public project revolving fund program.

"Program Costs" means the fees and expenses payable to the Trustee, any Paying Agent and the NMFA.

"Program Fund" means the fund by that name which is created and established by the Indenture.

"Projects" means, collectively, the projects (i) authorized by the Legislature for financing by the NMFA from the Public Project Revolving Fund (to the extent required by law) and (ii) described in a Supplemental Indenture and a Loan Agreement, Grant Agreement or Securities.

"Public Project Revolving Fund" means the public project revolving fund established pursuant to the Act.

"Rating Agency" means Moody's Investor's Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

"Rebate Calculation Date" means, with respect to each Series of Bonds, the interest payment date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the Initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last bond for such Series.

"Rebate Fund" means the Fund so designated, which is created and established by the Indenture.

"Rebate Requirement" means the amount of arbitrage profits earned from the investment of gross proceeds of the Bonds in nonpurpose investments described in Section 148(f)(2) of the Code and defined as "Rebate Amount" in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 2000B-C Bonds maintained by the Registrar.

"Regular Record Date" means the fifteenth (15th) day immediately preceding each Interest Payment Date (or the Business Day immediately preceding such fifteenth (15th) day, if such fifteenth (15th) day is not a Business Day).

"Registered Owner" or "Bondowner" or "Owner" or "Bondholder" or "holder" means the person or persons in whose name or names a Bond shall be registered on the books of the Trustee kept for that purpose in accordance with provisions of the Indenture.

"Revenue Fund" means the Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund so designated, which is created and established by the Indenture to be held by the Trustee.

"Revenues" means (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund).

"Securities" means the securities purchased or acquired by the NMFA in consideration for a Loan made pursuant to the Indenture.

"Security Documents" means the intercept agreements or other security documents delivered by Governmental Units to provide additional security for a Loan Agreement or Securities.

"Series 1995 Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1995A, in an initial aggregate principal amount of $41,230,000 and the Public Project Revolving Fund Revenue Bonds, Taxable Series 1995B, in an initial aggregate principal amount of $4,000,000.

"Series 1996 Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1996A, in an initial aggregate principal amount of $17,625,000 and the Public Project Revolving Fund Revenue Bonds Taxable Series 1996B, in an initial aggregate principal amount of $3,500,000.

"Series 1997 Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1997, in an initial principal amount of $8,585,000.

"Series 1999A-D Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1999A, in an initial aggregate principal amount of $13,135,000, the Public Project Revolving Fund Revenue Bonds, Series 1999B, in an initial aggregate principal amount of $3,025,000, the Public Project Revolving Fund Revenue Bonds, Taxable Series 1999C, in an initial aggregate principal amount of $2,265,000 and the Public Project Revolving Fund Revenue Bonds, Taxable Series 2000 in an initial aggregate principal amount of $4,875,000.

"Series 2000A Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 2000A, in an initial aggregate principal amount of $4,715,000.

"Series 2000B-C Bond Insurance Policy" means, with respect to the Series 2000B-C Bonds, the municipal bond insurance policy issued by the Series 2000B-C Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2000B-C Bonds.

"Series 2000B-C Bond Insurer" means, with respect to the Series 2000B-C Bonds, MBIA Insurance Corporation, or any successor thereto.

"Series 2000B-C Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2000B, in an initial aggregate principal amount of $7,670,000 and the Public Project Revolving Fund Revenue Bonds Series 2000C, in an initial aggregate principal amount of $28,850,000.

"Special Record Date" means a special record date established pursuant to the Indenture.

"State" means the State of New Mexico.

"Supplemental Indenture" means any supplemental indenture approved by the NMFA in accordance with the Indenture amending or supplementing the Indenture or any Supplemental Indenture.

"Trust Estate" means the property held in trust by the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means First Security Bank of New Mexico, N.A., Albuquerque, New Mexico and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor Trustee hereunder.

THE INDENTURE

Registration and Exchange of Bonds

Books for the registration and for the transfer of the Bonds shall be kept by the Trustee which is appointed the Bond Registrar with respect to the Bonds. Any Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any fully registered Bond at the principal office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing and satisfactory to the Trustee, the NMFA shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new, fully registered Bond or Bonds for a like aggregate principal amount. Bonds may be exchanged at the principal corporate trust office of the

Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series and the same maturity. The execution by the NMFA of any Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Bond. The NMFA and the Trustee shall not be required to transfer or exchange any Bond of a particular Series (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds of a particular Series for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The NMFA, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered on the registration books kept by the Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the NMFA, nor the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond shall be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In each case the Trustee shall require the payment by the Registered Owner requesting exchange or transfer, only of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Nonpresentment of Bonds

In the event that any Bond shall not be presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond shall have been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the NMFA to the holder thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability to the holders of such Bonds for interest thereon, for the benefit of the holder of such Bond who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Moneys so deposited with the Trustee which remain unclaimed four (4) years after the date payment thereof becomes due shall, to the extent authorized by applicable law, at the request of the NMFA and if the NMFA is not at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture and if to the knowledge of the Trustee there has been no Event of Default, be repaid to the NMFA and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the NMFA; provided that the Trustee, before making payment to the NMFA, may cause a notice to be given to the Owners of the Bonds at their registered addresses, stating that the moneys remaining unclaimed will be returned to the NMFA after a specified date. Upon payment of such amounts to the NMFA by the Trustee, the NMFA shall deal with such money as required by applicable law.

Covenants of the NMFA

The NMFA will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or Supplemental Indenture or in any Bond, including the following covenants and agreements:

Covenant Against Creating or Permitting Liens. Except for the pledge of the Trust Estate to secure payment of the Bonds, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that (i) nothing contained in the Indenture shall prevent the NMFA from issuing, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinated to that of the Bonds and (ii) Revenues constituting NMFA Portion of the GovernmentalGross Receipts Tax and payments of Additional Pledged Loans not needed for payments under the Indenture in any Bond Year may be released to the NMFA free and clear of the lien as provided in the Indenture.

Existence; Compliance with Laws. The NMFA shall take no action to discontinue maintenance of its existence nor to impair its rights, powers, privileges, and franchises, and shall comply will all valid and applicable laws, acts, rules, regulations, permits, orders, requirements, and directions of any legislative, executive, administrative, or judicial body which may relate to the execution and delivery of the Bonds and the performance of the NMFA's obligations under the Indenture.

No Transfer of Loan Agreements, Grant Agreements, Security Documents and Securities; Exceptions; Further Assurance. The NMFA and the Trustee shall not transfer any of the Loan Agreements, Grant Agreements, Security Documents and Securities except as specifically authorized in the Indenture in furtherance of the security for the Bonds; provided that, (i) once the Governmental Unit has repaid all amounts, if any, owing under its Loan Agreement, Grant Agreement, Securities, or Additional Pledge Loan and complied with the other provisions thereof, the NMFA and the Trustee may release such Agreement or Additional Pledge Loan and any Security Documents from the pledge created under the Indenture; and (ii) the NMFA may direct the release of any Agreement or Additional Pledged Loan from the lien and pledge of the Trust Estate under the Indenture upon the delivery to the Trustee of a Cash Flow Statement reflecting such release. Except to the extent otherwise provided in the Indenture, the NMFA shall not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners may be impaired and shall, from time to time, execute and deliver such further instruments and shall take such further action as may be required to carry out the purposes of the Indenture.

Financing Statements. The NMFA and the Trustee shall cause the Indenture to be filed as a financing statement with the Secretary of State of the State, in such manner and at such places as may be required by law fully to protect the security interest of the Owners of the Bonds and the right, title, and interest of the Trustee in and to the Trust Estate. From time to time, the Trustee may, but shall not be required to, obtain an opinion of counsel setting forth what, if any, actions by the NMFA or Trustee should be taken to preserve such security. The NMFA shall execute or cause to be executed any and all further instruments as shall reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and shall furnish satisfactory evidence to the Trustee that such actions have been taken and shall take such other action as is necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds executed and delivered under the Indenture shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel may be necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds shall have been paid.

Rights Under Loan Agreements, Grant Agreements, Security Documents and Securities. The Loan Agreements, Grant Agreements, Security Documents and Securities set forth the covenants and obligations of the Governmental Units, including provisions that, subsequent to the issuance of a Series of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions of the Indenture, the Loan Agreements, Grant Agreements, Security Documents and Securities may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Trustee in accordance with the Indenture, and reference is made to the same for a detailed statement of said covenants and obligations of the Governmental Units thereunder.

Bonds to be Tax-Exempt Obligations. The NMFA covenants and agrees to and for the benefit of the Owners that the NMFA (i) will not take any action that would cause interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the exemption from federal income taxation of interest on the Bonds. The provisions of this paragraph shall not apply to Bonds designated in the related Supplemental Indenture as bearing or accruing interest intended to be subject to Federal income taxation.

State Pledge of Non-Impairment. The State has pledged to and agreed with the Bondholders (as an obligation issued under the Act) that the State will not limit or alter the rights vested in the NMFA under the Act to fulfill the terms of the Indenture with the Bondholders or in any way impair the rights and remedies of those holders until the Bonds together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of those holders, are fully met and discharged.

Deposit and Advance of Funds.

The NMFA and the Trustee shall deposit the proceeds of the Bonds to the Accounts created under the Indenture and shall make the advances of funds thereunder to fund the Program and the NMFA shall enter into the Loan Agreements and Grant Agreements with the Governmental Units and purchase and receive the Securities and Security Documents from the Governmental Units on the terms and conditions and upon submission of the documents as provided in the Indenture.

The following restrictions shall apply to financings made by the NMFA under the Indenture

(a) The aggregate principal amount of each Loan Agreement, Grant Agreement and Security shall be in whole multiples of Authorized Denomination.

(b) Without the Approval of Bond Counsel, (i) no advance from the Program Fund shall be made or used to reimburse a Governmental Unit for amounts spent from such Governmental Unit's own funds prior to the date the Governmental Unit executed and delivered the Loan Agreement, Grant Agreement or Securities under the Program, and (ii) no Program Fund moneys shall be disbursed to refund or advance refund any obligations issued on behalf of a Governmental Unit.

(c) Each Agreement shall require that the final disbursement of moneys from the Governmental Unit's Account within the Program Fund to a Governmental Unit shall be made no later than the date which is three years after the execution and delivery of the Agreement, unless the NMFA and the Trustee have received the Approval of Bond Counsel for a later date.

(d) Each Governmental Unit shall agree not to take or permit any action which would cause the respective Agreement or the related Series of Bonds to be "arbitrage bonds" under Sections 103 and 148 of the Code.

(e) Without an Approval of Bond Counsel, no amounts disbursed from the Program Fund may be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit" within the meaning of Section 141(b)(6) of the Code.

(f) Amounts disbursed from each Governmental Unit's Account within the Program Fund shall be used to finance the costs of the related Project and related expenditures on behalf of the Governmental Unit.

(g) Each Governmental Unit shall agree to pay the Rebatable Arbitrage relating to its Accounts in the Program Fund, the Agreement Reserve Fund and the Debt Service Fund.

(h) At the time of execution and delivery of each Agreement the related Governmental Unit shall execute and deliver a certificate to the effect that the Governmental Unit (i) will not take any action that would cause the interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Agreement in order to preserve the exemption from federal income taxation of the interest on the Bonds.

The provisions of Subsections (b), (c), (d), (e), (g) and (h) shall not apply to Agreements financed with proceeds of Bonds designated as intended to bear interest subject to Federal income taxes.

Loan Agreement and Securities - Loan Payments.

The Loan Payments shall be governed by the following provisions:

(a) Principal, Program Costs and Interest Components. A portion of each Loan Payment is paid as, and represents payment of, interest (the "Interest Component") on the related Loan and payment of a Program Cost component relating to each loan (the "Program Cost Component") and the balance of each Loan Payment is paid as, and represents payment of, principal (the "Principal Component") on the related Loan, all as set forth in the related Loan Agreement or Securities. Amounts due as the Principal, Program Costs, and Interest Components of Loan Payments due under each Loan Agreement or Securities shall be paid on each Loan Payment Date. The Interest Component of Loan Payments for each Loan Agreement shall be the amount of interest based on a 360 day year comprised of twelve 30-day months, unless otherwise specified in the related Supplemental Indenture. The Program Cost Component may be included in the interest rate borne by a Loan.

(b) Loan Agreement and Securities Term. The "Term" of a Loan Agreement or Securities shall be defined in the Loan Agreement or Securities. The Term shall not exceed the useful life of the Project financed pursuant to the related Loan Agreement or Securities.

(c) Agreement Payment. Each Loan Agreement and Securities shall provide that the related Governmental Unit shall pay Loan Payments directly to the Trustee. In the case of Securities, the Securities shall be registered in the name of the Trustee or properly assigned to the Trustee on the books of any registrar for such Securities or if in bearer form delivered to and held by the Trustee.

(d) Prepayments. The Loan Agreements and Securities may contain a provision permitting the Governmental Unit to prepay the Principal Component of Loan Payments, in accordance with the provisions of the Loan Agreement and Securities by payment of Prepayments in whole on any date or in part on any Interest Payment Date, at any time when the related Series of Bonds are or are about to become subject to optional redemption upon not less than forty-five (45) days' prior written notice to the Trustee and subject to any other conditions set forth in the related Supplemental Indenture, Loan Agreement or Securities. Partial prepayments of the Principal Component of Loan Payments shall be made in multiples of the minimum Authorized Denomination. Each Prepayment shall include interest to the date upon which the Trustee has scheduled a related redemption of Bonds as provided in the related Supplemental Indenture.

(e) Use of Reserve at Final Payment. At the time of payment in full of each Loan Agreement or Securities, the applicable Agreement Reserve Account in the Agreement Reserve Fund shall be applied toward the final payment of amounts due under the related Loan Agreement or Securities.

Establishment of Funds and Accounts

There is established in the Indenture with the Trustee the following funds and accounts within funds, each of which shall be held, for the term of the Indenture, in Accounts segregated from all other moneys of the Trustee or the NMFA.

(a) a Program Fund and within such fund a separate Account for each Agreement;

(b) a Debt Service Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

(d) an Agreement Reserve Fund and within such fund, a separate Account for each Agreement which contemplates the establishment of an Agreement Reserve Account;

(e) an Expense Fund;

(f) a Rebate Fund and within such fund a separate Account for each Agreement; and

(g) a Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund (herein the "Revenue Fund") established as an account of the Public Project Revolving Fund.

In addition to the foregoing, with respect to Additional Pledged Loans the Trustee may, as directed in a Supplemental Indenture, establish subaccounts within the Program Fund, the Agreement Reserve Fund or the Debt Service Fund for such Additional Pledged Loans.

Flow of Funds

All Funds shall be accounted for and maintained by the NMFA in the Funds and Accounts established in the Indenture. Each Fund and Account shall be kept separate and apart from all other Funds and Accounts of the NMFA. The Funds shall be expended and used by the NMFA only in the manner of order and priority specified below:

Program Fund.

(a) Upon the issuance of a Series of Bonds the Trustee shall deposit the amount specified in the related Supplemental Indenture in the Program Fund and shall allocate such amount to the respective Accounts within the Program Fund as provided in each Agreement. Disbursements from each Account within the Program Fund shall be made as provided below and may be made in stages.

(b) Disbursements from each Account within the Program Fund with respect to an Agreement with a Governmental Unit shall (except for amounts to be used for capitalized interest on the Loan and as may be directed in a Supplemental Indenture with respect to Grants) only be made upon the delivery to the Trustee of a requisition substantially in the form attached to each Agreement signed by an Authorized Officer of the Governmental Unit, as applicable: (1) stating the name and address of the payee, the amount to be paid and the purpose of the payment; (2) certifying that the amount to be paid is for costs of the Project and is due and payable, has not been the subject of any previous requisition and is a proper charge against the Account within the Program Fund pursuant to this Paragraph (b); (3) certifying that all representations contained in the Agreement and the related documents remain true and correct and that the Governmental Unit is not in breach of any of the covenants contained therein; and (4) in the case of the final requisition, certifying that payment of costs of the Project is complete or that the Governmental Unit shall, and understands its obligation to, complete the acquisition or construction of the Project from other legally available funds.

(c) Without an Approval of Bond Counsel and except with respect to Agreements relating to Bonds designated in the related Supplemental Indenture as bearing or accruing interest subject to federal income taxation, no disbursement shall be made from the Governmental Unit's Account in the Program Fund:

a. to reimburse the Governmental Unit's own funds for expenditures made prior to the date on which the governing body of the Governmental Unit executed and delivered the Agreement,

b. to refund or advance refund any obligations issued by or on behalf of the Governmental Unit, or

c. to be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit," within the meaning of Section 141(b)(6) of the Code.

(d) Moneys in the Governmental Unit's Account in the Program Fund following the payment of amounts due for the costs of the Project may be transferred to such Governmental Unit's Account in the Debt Service Fund for application to the payment of the principal of and interest on the Loan or the Prepayment of the Principal Component of the Loan Agreement or Securities and a related redemption of Bonds, as provided in the related Supplemental Indenture.

(e) The Trustee shall keep the Program Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

(f) Investment earnings on amounts held in each Account of the Program Fund shall be retained in such Account of the Program Fund and used as provided herein as other amounts on deposit therein or to be deposited to the Rebate Account.

(g) Moneys deposited in the Program Fund for the payment of capitalized interest on the Loan may be disbursed by the Trustee to the appropriate account in the Debt Service Fund to pay interest on the related Loan during construction of the related Project.

(h) If directed in the related Supplemental Indenture, amounts to be used to fund Grants may, in lieu of deposit to the Program Fund, be disbursed to the Governmental Unit upon the issuance of the related Series of Bonds.

(i) Proceeds of Additional Pledged Loans deposited to a separate subaccount of the Governmental Units Account within the Program Fund shall be accounted for and used as described above with respect to proceeds of Bonds; provided that the provisions of paragraph (c) above shall not apply to such amounts.

Application of Loan Payments.

The flow of funds is discussed in the forepart of this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS - Flow of Funds."

Pursuant to the Supplemental Indenture authorizing the Series 2000A Bonds, the payments required to be made by the 2000A Governmental Unit pursuant to the 2000A Agreement are to be paid directly to the Trustee from the New Mexico Taxation and Revenue Department pursuant to an Intercept Agreement between NMFA and the 2000A Governmental Unit, and the Trustee is to deposit all such payments immediately upon receipt thereof as follows:

(i) moneys identified by the NMFA as being from the receipt of the Correctional Facility Tax shall be deposited into the Series 2000A Correctional Facility Tax Account and moneys identified by the NMFA as being from the receipt of the 2000A Governmental Unit Gross Receipts Tax shall be deposited into a Series 2000A Governmental Unit Gross Receipts Tax Account, both in the Series 2000A Tax Revenue Fund;

(ii) moneys on deposit in the Series 2000A Correctional Facility Tax Account shall be applied as follows:

First: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the 2000A Agreement;

Second: to the extent moneys are available for such purpose, to the payment of Program Costs;

Third: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Agreement Reserve Fund until such time as the balance on deposit in said Account equals the Agreement Reserve Requirement of such Account; and

Fourth: to the extent moneys are available for such purpose, to the Series 2000A Correctional Facility Tax Redemption Fund to annually redeem Series 2000A Bonds on or as soon as is reasonably practicable after June 2 from moneys deposited prior to the preceding June 1 in accordance with the Supplemental Indenture. Any excess Correctional Facility Tax revenues not applied to redemption shall be returned to the 2000A Governmental Unit Debt Service Account.

(iii) moneys on deposit in the Series 2000A Governmental Unit Gross Receipts Tax Account shall be applied as follows:

First: to the extent moneys from the Series 2000A Correctional Facility Tax Account deposited into the 2000A Governmental Unit Debt Service Account and the 2000A Governmental Unit Agreement Reserve Account in the Agreement Reserve Fund are insufficient to meet the then required principal and interest payments due or to next become due with respect to the 2000A Agreement, to the 2000A Governmental Unit's Debt Service Account the amount necessary to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the 2000A Agreement;

Second: to the extent money from the Series 2000A Correctional Facility Tax Account are insufficient to pay the 2000A Governmental Unit's share of Program Costs, an amount necessary to pay such Program Costs; and

Third: to the 2000A Governmental Unit, the balance of the moneys remaining in the Series 2000A Governmental Unit Gross Receipts Tax Account as soon as reasonably practicable after June 2 of each year.

All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), shall be deposited in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Agreement provided, however, that all earnings received on the Governmental Unit's Accounts shall be allocated solely to the benefit of such

Governmental Unit. The Trustee shall notify the Governmental Unit at least fifteen (15) days prior to the due date of its next payment of Loan Payments of the amount of earnings so allocated.

In the event that the Trustee receives Prepayments under a Loan Agreement or Securities, the Trustee shall apply such Prepayments to the optional redemption of the Bonds or portions thereof in accordance with the related Supplemental Indenture.

At least once a year the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided, however, that with respect to Loans relating to the Series 1997 Bonds, the Series 1999A-D Bonds and the Series 2000B-C Bonds, any such excess shall be disbursed as follows:

(a) Any excess attributable to earnings on funds and accounts for the Governmental Unit shall be returned to the Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; and

(b) Any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the Series 1997 Bonds, the Series 1999A-D Bonds and the Series 2000B-C Bonds, as applicable, shall be deposited into the Revenue Fund; and, provided further, however, that with respect to the Series 2000A Loan Agreement, any such excess shall be disbursed as provided in the second paragraph under this heading "Application of Loan Payments" above.

Amounts on deposit in the respective Account of the Agreement Reserve Fund in excess of the related Agreement Reserve Account Requirement shall be transferred at least annually to the related Account of the Debt Service Fund and credited against payments next coming due under such Loan Agreement or Securities.

Amounts on deposit in the respective Account of the Agreement Reserve Fund shall be applied toward the final payment of amounts falling due under the related Loan Agreement or Securities.

As provided in an Agreement, a Governmental Unit may (i) fund an Account in the Agreement Reserve Fund over time from deposits made by or on behalf of the Governmental Unit or (ii) may use any reserve fund surety or similar investments in lieu of a cash deposit to the Agreement Reserve Fund.

Amounts on deposit in each Agreement Reserve Account, if any, secure only the payments to be made under the related Agreement and may not be applied toward payments under any other Agreement or toward payment of the Bonds, except to the extent that amounts are due and owing under the related Agreement and amounts are not otherwise available for such payments in the related Account of the Debt Service Fund.

All moneys held by the Trustee in the Bond Fund shall be applied in accordance with the Indenture to pay the principal or redemption price of Bonds as they mature or become due, upon surrender thereof, and the interest on Bonds as it becomes payable. There shall be deposited into the Bond Fund all accrued interest received, if any, at the time of the execution, sale and delivery of the Bonds. Amounts remaining on deposit in the Bond Fund at the end of each Bond Fund Year and after payment of all amounts due on the Bonds for such Bond Fund Year shall be transferred to the Revenue Fund.

Investment of Moneys

Any moneys held as part of a Governmental Unit's Account in any of the Funds established under the Indenture shall be invested and reinvested by the Trustee at the direction of the related Governmental Unit in Permitted Investments in accordance with the following provisions.

Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in the related Debt Service Account is insufficient to pay the principal of and premium, if any, and interest on the related Loan Agreement or Securities when due. In the absence of an appropriate direction from a Governmental Unit as to investment of funds, the Trustee shall invest and reinvest such amounts in a daily money market fund which invests only in United States Government Obligations.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund or the Bond Fund shall be invested and reinvested by the Trustee at the direction of the NMFA only in Permitted Investments in accordance with the Indenture. Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of the investments on deposit in the Bond Fund whenever the cash balance in the Bond Fund is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due.

All such investments shall at all times be a part of the account or fund from where the money used to acquire such investments was deposited and all gains thereon shall be credited to, and losses thereon shall be charged against, such accounts or funds except as expressly provided to the contrary in the Indenture.

All investments shall mature, or be subject to repurchase, withdrawal without penalty, or redemption at the option of the owner on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes hereof.

The principal of the investments and the interest, income, and profits received in respect thereof shall be applied as follows:

(i) all interest, income, and profits received in respect of the investment of the amounts on deposit in a Governmental Unit's Account in any of the Funds established under the Indenture shall (after deduction of any losses) be retained in the applicable Governmental Unit's Account from which the investment was derived (except as otherwise required with respect to the Agreement Reserve Fund and deposits to be made to the Rebate Fund); and

(ii) all interest, income, and profits received in respect of the investment of the amounts on deposit in the Revenue Fund, the Rebate Fund or the Bond Fund shall (after deduction of any losses) be retained in such Fund; and

(iii) whenever any other transfer or payment is required to be made from any particular Fund or Account, such transfer or payment shall be made from such combination of maturing principal, redemption, or repurchase prices, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any permitted investments to be redeemed, withdrawn, or sold, and any penalties, gains, or losses to be realized upon any such redemption, withdrawal, or sale.

The Trustee shall not be accountable for any depreciation in the value of the Permitted Investments or any losses incurred upon any authorized disposition thereof.

Method and Frequency of Valuation. In computing the amount in any fund or account, Permitted Investments shall be valued at least annually at cost, including commissions and accrued interest but excluding interest accrued following acquisition.

Defeasance

When there shall have been paid, or there shall be provisions for payment made to or for the holders and Owners of the Bonds, the principal of and premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein, and if there shall have been paid to the Trustee and any paying agents all sums of money due or to become due according to the provisions of the Indenture, then the presents and the estate and rights granted by the Indenture shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture and on demand of the NMFA shall execute such documents to evidence such release as shall be reasonably required by the NMFA and shall turn over to the NMFA all balances held by the Trustee under the Indenture (other than amounts required for return to the Governmental Units as provided in the Indenture).

Any Bond shall be deemed to be paid within the meaning of and for all purposes of the Indenture when (a) payment of the principal of and the applicable premium, if any, on such Bond, whether at maturity or prior redemption plus interest thereon to the due date thereof, either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent shall have irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, and/or (2) noncallable Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or noncallable Governmental Obligations.

All moneys so deposited with the Trustee (or other escrow agent) as provided in the defeasance provisions of the Indenture may at the direction of the NMFA also be invested and reinvested in noncallable Governmental Obligations, maturing in the amounts and at times as hereinbefore set forth, and all income from all noncallable Governmental Obligations in the hands of the Trustee which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Revenue Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

All moneys or noncallable Governmental Obligations set aside and held in trust pursuant to the defeasance provisions of the Indenture for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and noncallable Governmental Obligations have been so set aside in trust.

Neither the obligations nor the moneys deposited with the Trustee (or other escrow agent) pursuant to the defeasance provisions of the Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal or redemption price of, and interest on, the Bonds or portions thereof.

Whenever moneys or obligations shall be deposited with the Trustee (or other escrow agent) for the payment or redemption of any Bonds more than sixty (60) days prior to the date that such Bonds are to mature or be redeemed, the Trustee shall mail a notice stating that such moneys or obligations have been deposited and identifying the Bonds for the payment of which such moneys or obligations are being held, to all Owners of Bonds for the payment of which such moneys or obligations are being held.

No such deposit under the defeasance provisions of the Indenture shall be made or accepted under the Indenture and no use made of any such deposit unless the Trustee shall have received an Approval of Bond Counsel to the effect that such deposit and use would not cause the Bonds to be treated as arbitrage bonds within the meaning of Sections 148 of the Code.

If moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to the defeasance provisions of the Indenture for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture shall be made without the consent of the Registered Owner of each Bond affected thereby.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on any Series of Bonds shall be paid by a bond insurer with respect to such Series of Bonds pursuant to a municipal bond insurance policy, the Bonds of such Series shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the NMFA, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the NMFA to the Registered Owners of such Series of Bonds shall continue to exist and shall run to the benefit of such bond insurer, and such bond insurer shall be subrogated to the rights of such Registered Owners of such Series of Bonds.

Default Provisions and Remedies of the Trustee and Owners

Events of Default Defined. Each of the following events is an "Event of Default" under the Indenture:

(a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable; or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund hereunder or otherwise; or

(c) if the NMFA shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the NMFA, appointing a receiver or custodian for any of the Revenues of the NMFA, or approving a petition filed against the NMFA seeking reorganization of the NMFA under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the NMFA shall not be vacated or discharged or stayed on appeal within 30 days after the entry thereof; or

(e) if any proceeding shall be instituted, with the consent or acquiescence of the NMFA, for the purpose of effecting a composition between the NMFA and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or

(f) if (i) the NMFA is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the NMFA, a receiver, Trustee or custodian of the NMFA or of the whole or any part of their property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the NMFA shall file a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the NMFA or of the whole or any substantial part of the property of the NMFA, and such custody or control shall not be terminated within 30 days from the date of assumption of such custody or control; or

(i) if the NMFA shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or the Indenture or any Supplemental Indenture on the part of the NMFA to be performed, other than as set forth above in this section and such Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the NMFA by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Remedies of the Trustee. If an Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name:

(a) by mandamus or other action or proceeding or suit at law or in equity enforce the rights of the Owners of the Bonds under the Indenture, including enforcing any rights under the Agreements and Security Documents and the provisions of the Indenture for the benefit of the Owners of the Bonds against the NMFA and any related Governmental Unit, and compel the NMFA and any related Governmental Unit, to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained in the Indenture or in any Agreement (including the appointment of a receiver); or

(b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) intervene in judicial proceedings that affect the Bonds, the Agreements or the security therefor; or

(d) exercise any or all remedies permitted under the Agreements or Security Documents; or

(e) cause the NMFA or any related Governmental Unit to account as if it were the Trustee of an express trust for all of the Revenues or Agreement Pledged Revenues, pledged under the Indenture or pursuant to the Agreements and any Security Documents.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any subsequent default or breach of duty or contract. No delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Owners, the Trustee, the Owners, the NMFA, and the Governmental Units shall be restored to the former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing in law or in equity or by statute or otherwise and may be extended without exhausting and without regard to any other remedy conferred by any law.

No Liability by the Governmental Units to the Owners. Except for the payment when due of the Loan Payments and the performance of the other agreements and covenants required to be performed by it contained in the Agreements and Security Documents, the Governmental Units will not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Loan Payments, by the Trustee, or with respect to the performance by the NMFA of any right or obligation required to be performed by it contained in the Indenture or for the performance by any other Governmental Unit of such other Governmental Unit's obligations under an Agreement or Security Documents.

Limitation of Owners' Right to Bring Suit. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, for the appointment of a receiver or Trustee or for any other remedy, at law or in equity, unless;

(a) such Owner has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Owners of not less than a majority of the aggregate principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee;

(c) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

It being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of the Indenture or the rights of any other Owners or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all Bond Owners. Notwithstanding the foregoing, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of interest on such Bond when due in accordance with the terms of the Bonds and the Indenture and the principal of such Bond at the stated maturity of the Bonds and to institute suit for the enforcement of any such payment in accordance with the provisions of the Indenture and such rights shall not be impaired without the consent of such Owner.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee, provided that such direction shall not be in conflict with any rule of law or with the Indenture or unduly prejudice the rights of minority Owners of Bonds.

Application of Funds Upon Default. All moneys received by the Trustee or by any receiver pursuant to any right given or action taken under the default provisions of the Indenture or under the provisions of the related Agreements, shall, after payment of the reasonable costs and fees of, and the reasonable expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited during the continuance of an Event of Default (other than moneys deposited to the Bond Fund for the payment of Bonds which have previously matured or otherwise become payable prior to such Event of

Default), together with all moneys in the Funds maintained by the Trustee under the Indenture, shall be applied as follows;

Unless the principal of all Bonds shall have become due and payable, all such moneys shall be applied, as follows:

First: To the payment to the persons or entity entitled thereto of all installments of interest then due on the Bonds, in the order of maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the persons or entity entitled thereto without any discrimination or privilege;

Second: To the payment to the persons or entity entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for prepayment for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on such Bonds at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons or entities entitled thereto without any discrimination or privilege;

Third: To be held for the payment to the persons entitled thereto as the same shall become due of the principal of, the premium, if any, and interest on the Bonds which may thereafter become due at maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

If the principal of all the Bonds shall have become due all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with the interest on overdue principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bonds over any other certificates, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such moneys it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such date and of the Special Record Date in accordance with the Indenture. The Trustee shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate principal amount of all the Bonds then outstanding in respect of which Default in the payment of principal and interest exist, or (b) a majority in aggregate principal amount of the Bonds then Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any Event of Default in the payment of the principal of any Bonds at the date of maturity specified therein, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee and the Registered Owners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

SUPPLEMENTAL INDENTURES

Supplemental Indentures Not Requiring Consent of Owners. The NMFA and the Trustee may, without consent of, or notice to, any of the Owners enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(a) To provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;

(b) To cure any ambiguity or formal defect or omission in the Indenture;

(c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee;

(d) To subject to the Indenture additional revenues, properties or collateral;

(e) To evidence the appointment of a separate Trustee or paying agent or the succession of a new Trustee or paying agent under the Indenture;

(f) To make any other change which in the judgment of the Trustee is not materially adverse to the interests of the Trustee or any of the Owners;

(g) To make any amendments with the prior written confirmation from the Rating Agency that such amendments will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment; and

(h) To add additional covenants of the NMFA or any Governmental Unit or to surrender any right or power conferred upon the NMFA in the Indenture or any Governmental Unit or to grant additional powers or rights to the Trustee.

Supplemental Indentures Requiring Consent of Owners. Exclusive of supplemental indentures covered by the foregoing section and subject to the following terms and provisions and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the NMFA and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the NMFA for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in this section or in the foregoing section shall permit, or be construed as permitting, (i) an extension of the maturity of the principal of, or the interest on, any Bond, or (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures, or (v) permit the creation of any lien ranking prior to the lien of the Indenture on the Trust Estate or any part thereof, or (vi) deprive the Owner of any Bond then outstanding of the lien created by the Indenture on the Trust Estate without the prior consent of 100% of the holders of the Bonds affected by such supplemental indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which adversely affects the Trustee's rights, duties or immunities under the Indenture or the Agreements.

If at any time the NMFA shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given by registered or certified mail to the owner of each Bond shown by the list of Owners kept at the office of the Trustee. Such notices shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Owners. If, within one hundred twenty (120) days or such longer period as the holders of not less than a majority in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Governmental Units from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Amendment of Agreements and Security Documents.

(a) The NMFA shall have the right to amend an Agreement and any existing Security Documents with the Consent of the Trustee and the related Governmental Unit without Bond Owners' consent, for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred upon the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in the Indenture or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgement of the Trustee shall not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

(b) If the NMFA or a Governmental Unit propose to amend an Agreement or related Security Documents in a manner not contemplated by (a) above the Trustee shall notify the Owners of the Bonds of the proposed amendment and may consent thereto with the consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding.

Fees, Charges and Expenses of the Trustee

Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond for the Trustee's advances, fees, costs and expenses incurred.

Provisions With Respect to Series 2000B-C Bond Insurance Policy

Amendments. The NMFA will provide to the Series 2000B-C Bond Insurer notice of any supplemental indentures entered into as described under the caption "Supplemental Indentures Not Requiring Consent of Owners" herein. The NMFA must obtain the Series 2000B-C Bond Insurer's consent prior to the execution of any supplemental indentures entered into as described under the caption "Supplemental Indentures Requiring Consent of Owners" herein.

Defaults. The Series 2000B-C Bond Insurer, acting alone, shall have the right to direct all remedies with respect to the Series 2000B-C Bonds upon an Event of Default. The Series 2000B-C Bond Insurer shall be recognized as the registered owner of each 2000B-C Bond which it insures for the purposes of exercising all rights and privileges available to bondholders of Series 2000B-C Bonds. For Series 2000B-C Bonds which it insures, the Series 2000B-C Bond Insurer shall have the right to institute any suit, action, or proceeding at law or in equity under the same terms as a bondholder of a Series 2000B-C Bond in accordance with applicable provisions of the governing documents. Other than the usual redemption provisions, any acceleration of principal payments must be subject to the Series 2000B-C Bond Insurer's prior written consent.

[This Page Intentionally Left Blank]

APPENDIX C

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE

The following economic and demographic information is furnished for information only. The Bonds do not constitute a general obligation of the State and are special obligations of NMFA payable solely from the Trust Estate. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS."

Generally

The State of New Mexico (the "State") was admitted as the forty-seventh state on January 6, 1912. It is the fifth largest state, containing approximately 121,593 square miles.

The State's climate is characterized by sunshine and warm, bright skies in both winter and summer. Every part of the State receives no less than 70% sunshine year-round. Humidity ranges from 60% (mornings) to 30% (afternoons). Evenings are crisp and cool in all seasons because of the low humidity.

The State has a semiarid subtropical climate with light precipitation. Thunderstorms in July and August bring most of the moisture to the State. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains).

Governmental Organization

The State's government consists of the three branches characteristic of the American political system: executive, legislative and judicial. The executive branch is headed by a governor, who is elected for a four-year term. A governor may succeed himself in office only once. Following a reorganization plan implemented in 1978 to reduce and consolidate some 390 agencies, boards and commissions, the primary functions of the executive branch are now carried out by seventeen cabinet departments, each headed by a cabinet secretary appointed by the Governor.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected to four-year terms, and members of the House to two-year terms. The Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to sixty calendar days in odd-numbered years and thirty calendar days in even-numbered years. In addition, special sessions of the Legislature may be convened by the Governor and, under certain limited circumstances, extraordinary sessions may be convened by the legislators. Legislators receive no salary, but do receive per diem and mileage allowances while in session or on official State business.

The judicial branch is composed of a statewide system of Magistrate and District Courts, the Court of Appeals and the Supreme Court. The District Court is the trial court of record with general jurisdiction.

Principal Economic Activities

Major industries in the State include energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing, and mining. In fiscal year 1997-1998, the value of energy resources production (crude petroleum, natural gas, and coal) was approximately $4.6 billion. The total value of mineral production was $5.6 million. The mining industry employed about 14,000 New Mexicans in 1998. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy.

Agriculture is a major part of the State's economy, with 1998 crop and livestock sales in excess of $2.0 billion. As a high, relatively dry region with extensive grasslands, the State is ideal for raising cattle, sheep and other livestock. Because of irrigation and a variety of climatic conditions, the State's farmers are able to produce a diverse assortment of quality products. The State's farmers are major producers of alfalfa hay, wheat, chile peppers, cotton, fruits and pecans. Agricultural businesses include chile canneries, milk processing and cheese plants, dairies, wineries, alfalfa pellets, chemical and fertilizer plants, farm machinery, feed lots, and commercial slaughter plants.

Economic and Demographic Information

The State's population at the time of the official 1990 United States Census was 1,515,069. Set out below is certain historical population information and certain additional historical economic information concerning the State.

State of New Mexico
Population Trends

	New Mexico (000)		United States (000)	
Year	Population	% Change	Population	% Change
1970	1,017.1	6.9%	203,302	13.4%
1980	1,302.3	28.0	226,546	11.4
1990	1,515.0	16.3	249,438	9.8
1991	1,547.1	2.1	252,153	1.1
1992	1,580.8	2.2	255,030	1.1
1993	1,614.9	2.2	257,783	1.1
1994	1,653.3	2.4	260,327	1.0
1995	1,682.4	1.8	262,803	1.0
1996	1,706.2	1.4	265,229	0.9
1997	1,722.9	1.1	267,784	1.0
1998	1,733.5	0.6	270,248	0.9
1999	1,739.8	0.4	272,691	0.9

Source: U.S. Census Bureau.
Population Estimates Program, Population Division.
Years 1991-1999 are revised estimates. Year 1990 is the official census.

State of New Mexico
Wages and Salaries by Industry Sector, 1988 and 1998
($ in millions)

	1988	1998	Percent Change N.M.	Percent Change U.S.	Distribution of 1998 Wages & Salaries N.M.	Distribution of 1998 Wages & Salaries U.S.
Farm Total	$83	$169	103.6%	63.5%	0.9%	0.4%
Non-Farm:						
Private						
Agricultural Services, Forestry & Fishing	58	132	127.7%	102.6%	0.7%	0.6%
Mining	444	633	42.7%	23.1%	3.2%	0.7%
Construction	569	1,171	105.6%	61.3%	5.9%	5.0%
Manufacturing	872	1,537	76.3%	43.3%	7.8%	18.1%
Transportation & Public Utilities	804	1,155	43.7%	63.7%	5.9%	6.3%
Wholesale Trade	511	891	74.4%	69.5%	4.5%	6.9%
Retail Trade	1,196	2,263	89.3%	62.7%	11.5%	9.4%
Finance, Insurance & Real Estate	519	956	84.1%	90.9%	4.9%	8.7%
Services	2,526	5,387	113.3%	117.0%	27.4%	27.4%
Total Private	$7,499	$14,125	88.4%	75.0%	71.7%	83.3%
Government						
Federal, Civilian	786	1,212	54.2%	35.8%	6.2%	2.9%
Military	409	481	17.7%	10.7%	2.4%	1.1%
State & Local	2,128	3,706	74.1%	68.3%	18.8%	12.3%
Total Government	$3,323	$5,399	62.5%	56.0%	27.4%	16.3%
Non-Farm Total:	$10,822	$19,524	80.4%	71.6%	99.1%	99.6%
TOTAL:	$10,905	$19,693	80.6%	71.5%	100.0%	100.0%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

State of New Mexico
Civilian Labor Force, Employment and Unemployment in New Mexico and the United States, 1987 through 1998

	Civilian Labor Force (000)		Number Employed (000)		Unemployment Rate		
Year	N.M.	U.S.	N.M.	U.S.	N.M.	U.S.	NM as % of U.S. Rate
1987	682	119,865	622	112,440	8.9%	6.2%	144%
1988	688	121,669	635	114,968	7.8	5.5	142
1989	698	123,869	651	117,342	6.7	5.3	126
1990	707	125,840	662	118,793	6.3	5.5	115
1991	725	126,346	675	117,718	6.9	6.7	103
1992	741	128,105	691	118,492	7.0	7.4	92
1993	756	129,200	697	120,259	7.7	6.8	110
1994	778	131,056	729	123,060	6.3	6.1	103
1995	791	132,304	741	124,900	6.3	5.6	112
1996	798	133,943	734	126,708	8.1	5.4	150
1997	815	136,297	764	129,557	6.2	4.9	129
1998	831	137,673	780	131,463	6.2	4.5	138

Source: New Mexico Department of Labor, Bureau of Labor Statistics

State of New Mexico
Per Capita Personal Income in New Mexico
and the U.S., 1980-1999

	Per Capita Income			Annual % Change	
Year	New Mexico	U.S.	N.M. as % of U.S.	New Mexico	U.S.
1980	$8,402	$10,183	83%	10.3%	10.3%
1981	9,334	11,280	83%	11.1%	10.8%
1982	9,894	11,901	83%	6.0%	5.5%
1983	10,367	12,554	83%	4.8%	5.5%
1984	11,215	13,824	81%	8.2%	10.1%
1985	11,999	14,705	82%	7.0%	6.4%
1986	12,226	15,397	79%	1.9%	4.7%
1987	12,686	16,284	78%	3.8%	5.8%
1988	13,322	17,403	77%	5.0%	6.9%
1989	14,085	18,566	76%	5.7%	6.7%
1990	14,960	19,584	76%	6.2%	5.5%
1991	15,744	20,089	78%	5.2%	2.6%
1992	16,425	21,082	78%	4.3%	4.9%
1993	17,226	21,718	79%	4.9%	3.0%
1994	17,946	22,581	79%	4.2%	4.0%
1995	18,852	23,562	80%	5.0%	4.3%
1996	19,478	24,651	79%	3.3%	4.6%
1997	20,228	25,924	78%	4.2%	5.2%
1998	21,164	27,203	78%	4.3%	4.9%
1999	22,063	28,518	77%	4.2%	4.8%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

State of New Mexico
Earnings Growth by Standard Industrial Classification
% Change, 1997-1998

	New Mexico	Southwest Region (1)	U.S.
Farm Earnings	-1.6%	-11.9%	-3.2%
Non-Farm Earnings			
Private			
Ag. Serv, Forestry & Fisheries	10.4%	12.8%	11.2%
Mining	-2.1%	5.6%	3.9%
Construction	5.8%	13.2%	10.5%
Manufacturing	1.7%	9.0%	5.1%
Transportation & Public Utilities	5.7%	8.7%	6.8%
Wholesale Trade	4.9%	11.7%	8.1%
Retail Trade	6.0%	7.5%	6.6%
Finance, Insurance, Real Estate	8.3%	112.6%	11.4%
Services	7.7%	9.9%	8.6%
Total Private	5.9%	9.8%	7.8%
Government			
Federal, Civilian	2.3%	3.1%	1.8%
Military	-5.1%	4.0%	-0.2%
State & Local	4.8%	5.6%	5.0%
Total Government	3.3%	4.7%	4.1%
Non-Farm Total	5.2%	9.0%	7.3%
TOTAL	5.1%	8.8%	7.2%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.

(1) Southwest Region: Arizona, New Mexico, Oklahoma and Texas.

APPENDIX D

CERTAIN INFORMATION CONCERNING THE GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES

Pursuant to the Continuing Disclosure Undertaking to be executed in connection with the Series 2000B-C Bonds, the NMFA agrees to provide with respect to any Governmental Unit whose Loan repayment obligations constitute more than 5% of the estimated annual Revenues in any year when the Series 2000B-C Bonds are outstanding (the "5% test"), information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Pledged Revenues and audited financial statements for any Governmental Unit meeting the 5% test. Currently the Energy, Minerals and Natural Resources Department and the City of Albuquerque, New Mexico are the only Governmental Units whose Loan repayment obligations meet the 5% test.

Energy, Minerals and Natural Resources Department of the State of New Mexico

Generally

The Energy, Minerals and Natural Resources Department ("EMNRD") is a cabinet-level department within the executive branch of government of the State of New Mexico (the "State") established by the State Legislature in 1987. It is administered by a cabinet Secretary who is appointed by the Governor with the consent of the State Senate. EMNRD consists of six divisions, including the State Parks Division (the "Division") which is responsible for developing, maintaining, managing and supervising all state parks and state-owned or state-leased recreation areas.

Security for Payments on NMFA-Purchased Securities

Generally

Twenty-five percent (25%) of the net governmental gross receipts tax which is imposed pursuant to Section 7-1-6.38 NMSA 1978, is allocated to EMNRD. Of this 25% portion, 60% (the "EMNRD Portion of the Governmental Gross Receipts Tax") is distributed to the EMNRD for State park and recreational area capital improvements. The EMNRD currently has outstanding its State Parks Division Revenue Bonds, Series 1995A, Series 1995B, Series 1996A, Series 1996B, Series 1997A, Series 1997B, Series 1998A and Series 1998B (collectively the "EMNRD Securities"). All of the outstanding EMNRD Securities have been purchased by the NMFA. The EMNRD Securities are secured by a first, but not necessarily an exclusively first, pledge of the EMNRD Portion of the Governmental Gross Receipts Tax collections. For certain information concerning the Governmental Gross Receipts Tax, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS - Revenues -The Governmental Gross Receipts Tax." NMFA believes that the EMNRD Portion of the Governmental Gross Receipts Tax will provide sufficient funds for the payment of the debt service on the outstanding EMNRD Securities when due.

Set forth below is information concerning the EMNRD Portion of the Governmental Gross Receipts Tax for the fiscal years 1995-1996 through 1998-1999 and coverage of the Division's parity obligations to NMFA.

EMNRD Portions of the Governmental Gross Receipts Tax
Fiscal Years 1995-1996 through 1998-1999

	Fiscal Year 1995-1996	Fiscal Year 1996-1997	Fiscal Year 1997-1998	Fiscal Year 1998-1999
EMNRD Portion of the Government Gross Receipts Tax	$2,408,918	$2,456,767	$2,528,981	$2,765,226
Debt Service on Parity EMNRD Obligations to NMFA	314,753	585,550	990,482	1,374,232
Debt Service Coverage	7.65	4.20	2.55	2.01

Parity Obligations

As of the date of issuance of the Series 2000B-C Bonds the only obligations payable from the EMNRD Portion of the Governmental Gross Receipts Tax are the EMNRD Securities which have all been issued with a parity lien on the EMNRD Portion of the Governmental Gross Receipts Tax. The EMNRD Securities are currently outstanding in the aggregate principal amount of $15,388,510.

Pursuant to the proceedings authorizing the issuance of the EMNRD Securities, additional parity obligations may be issued if (i) all payments required to be made by the EMNRD into its accounts of the Debt Service Fund and the Agreement Reserve Fund have been made; (ii) no default exists in connection with any of the covenants or requirements set forth in such proceedings; (iii) the EMNRD Portion of the Governmental Gross Receipts Tax received or credited to the Division for the fiscal year, or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such parity obligations, shall have been sufficient to pay an amount representing 135% of the combined maximum aggregate annual debt service requirement coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor); and (iv) an appropriately pledged reserve fund for such parity obligations has been provided for and funded. The Division may not issue bonds or other obligations payable from the EMNRD Portion of the Governmental Gross Receipts Tax having a lien thereon prior and superior to the outstanding EMNRD Securities.

City of Albuquerque, New Mexico

Generally

Albuquerque is the largest city in the State, accounting for roughly one-quarter of the State's population. Located at the center of the State in Bernalillo County at the intersection of two major interstate highways and served by both road and air, Albuquerque is the major trade, commercial and financial center of the State.

Security for Payments on NMFA Loans

Generally

Pursuant to a Tax Exempt Loan Agreement in the amount of $11,568,376 and a Taxable Loan Agreement in the amount of $788,685, both entered into on July 27, 2000 between Albuquerque and NMFA (the "District Loans"), Albuquerque has pledged to NMFA the money collected from its Special Assessment District No. 226 (the "District"). NMFA believes that the special assessments received by Albuquerque from the District will provide sufficient funds for the payment of the debt service on the outstanding District Loans when due. **The District Loans are not general obligations of the City of Albuquerque. No pledge of the full faith and credit of the City, the taxing powers or general resources of the City is made for the payment thereof. The District Loans do not constitute a debt of the City within the meaning of any constitutional or statutory limitation on debt of the City.**

District Information

The District is a special assessment district created within Albuquerque pursuant to statutory procedures and in compliance with City of Albuquerque policies. The District was created to provide needed infrastructure improvements to 29 streets all within Albuquerque City Council District No. 1 and comprised of portions of the Knolls at Paradise Hills (located north of Congress Avenue and east of Golf Course Road). The majority of the 29 streets in the District are dirt with no utilities present. The District was created to make street, storm drainage, sanitary sewer, water, electric line and gas line improvements, and assesses the costs thereof against the property benefitting from such improvements. The assessments have a lien on each parcel of land in the District as to the respective amounts relating to such parcel, which lien has a priority on the land equal to the lien thereon for general and affirmative defenses valorem taxes and superior to all other liens, claims and taxes.

The Tax Exempt portion of the District Loans funded the street, storm drainage, sanitary sewer and water improvements. The Taxable portion of the District Loans funded the electric line and gas line improvements. The costs of the improvements in the District are set forth below.

Tax Exempt Loan

Total Maximum Cost of Improvements	$11,251,790
Total Cash Payments from Property Owners	(495,538)
Construction Funds necessary for Financing	10,756,252
Amounts related to Financing (including capitalized interest)	812,125
Total Amount Imposed as Assessments	$11,568,376

Taxable Loan

Total Maximum Cost of Improvements	$770,824
Total Cash Payments from Property Owners	(54,431)
Construction Funds necessary for Financing	716,393
Amounts related to Financing (including capitalized interest)	72,292
Total Amount Imposed as Assessments	$788,685

Economic and Demographic Information

For certain economic and demographic information concerning the State, see Appendix C, "CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE."

APPENDIX E

FORMS OF OPINIONS OF CO-BOND COUNSEL

[Form of Opinion of Ballard Spahr Andrews & Ingersoll, LLP]

September __, 2000

New Mexico Finance Authority
409 St. Michael's Drive
Santa Fe, New Mexico 87505

Re: New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 2000B; New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 2000C

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 2000B in the aggregate principal amount of $7,670,000 (the "Series 2000B Bonds") and its Public Project Revolving Fund Revenue Bonds, Series 2000C in the aggregate principal amount of $28,850,000 (the "Series 2000C Bonds" and together with the Series 2000B Bonds, the "Series 2000B-C Bonds"). The Series 2000B-C Bonds are being issued for the purpose of providing funds to (i) reimburse the NMFA for loans previously made to certain governmental units within the State of New Mexico (each a "Governmental Unit") to finance a public project for the use and benefit of the respective Governmental Unit, and (ii) pay costs of issuance.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21-1 *et. seq.*, NMSA 1978, as amended and supplemented (the "Act"). The Series 2000B-C Bonds are authorized under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 as heretofore amended and supplemented (the "General Indenture"), and as further amended and supplemented by a Thirty-First Supplemental Indenture of Trust dated as of September 1, 2000 (the "Thirty-First Supplemental Indenture", and collectively with the General Indenture, the "Indenture") between the NMFA and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The NMFA has previously issued other series of its Public Project Revolving Fund Revenue Bonds which are outstanding under the Indenture (the "Outstanding Parity Bonds" and sometimes together with the Series 2000B-C Bonds, the "Bonds"). The Series 2000B-C Bonds are issued and secured with a lien on the Trust Estate on a parity with the lien of the Outstanding Parity Bonds on the Trust Estate.

We have reviewed the Indenture, an opinion of the office of the Attorney General of the State of New Mexico, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

As to the questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 2000B-C Bonds. The NMFA and each Governmental Unit have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2000B-C Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2000B-C Bonds. We have assumed, without undertaking to determine or confirm, continuing compliance by the NMFA and each Governmental Unit with such requirements and restrictions in rendering our opinion regarding the tax exempt status of interest on the Series 2000B-C Bonds.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Series 2000B-C Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged under the Indenture to secure the payment of the principal of and interest on the Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2000B-C Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a general obligation or other indebtedness of the State of New Mexico or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

4. Based on an analysis of currently existing laws, regulations, decisions and interpretations, interest on the Series 2000B-C Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

5. Under the laws of the State of New Mexico as enacted and construed on the date hereof, interest on the Series 2000B-C Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2000B-C Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2000B-C Bonds; and

(c) although we have rendered an opinion that interest on the Series 2000B-C Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2000B-C Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2000B-C Bonds.

Respectfully submitted,

[Form of Opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A.]

September __, 2000

New Mexico Finance Authority
409 St. Michael's Drive
Santa Fe, New Mexico 87505

First Security Bank of New Mexico, N.A.
Corporate Trust Department
40 First Plaza, 3rd Floor
Albuquerque, New Mexico 87102

Re: New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 2000B and Series 2000C

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 2000B in the aggregate principal amount of $7,670,000 (the "Series 2000B Bonds"), and its Public Project Revolving Fund Revenue Bonds, Series 2000C in the aggregate principal amount of $28,850,000 (the "Series 2000C Bonds" and together with the Series 2000B Bonds the "Series 2000B-C Bonds"). The Series 2000B-C Bonds are being issued for the purpose of providing funds (i) to reimburse the NMFA for loans made and securities purchased by the NMFA to finance public projects as authorized by law for the use and benefit of certain entities (the "2000 Governmental Units") within the State of New Mexico (the "State") and (ii) to reimburse the NMFA for deposits made for costs of issuance and to pay a portion of the costs of issuance of the Series 2000B-C Bonds.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21-1 et. seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 2000B-C Bonds are authorized to be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 (the "General Indenture") as previously amended and supplemented between the NMFA and a predecessor trustee, and the Thirty-First Supplemental Indenture of Trust dated as of September 1, 2000 (the "Thirty-First Supplemental Indenture") between the NMFA and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico (the "Trustee"), (collectively, the "Indenture"). Under the General Indenture, the NMFA has previously issued its Public Project Revolving Fund Revenue Bonds, Series 1995A (the "Series 1995 Bonds"), its Public Project Revolving Fund Revenue Bonds, Series 1996A, its Public Project Revolving Fund Revenue Bonds, Taxable Series 1996B (the "Series 1996 Bonds"), its Public Project Revolving Fund Revenue Bonds, Series 1997 (the "Series 1997 Bonds"), its Public Project Revolving Fund Revenue Bonds, Series 1999A-D (the "Series 1999A-D Bonds") and its Public Project Revolving Fund Revenue Bonds, Series 2000A (the "Series 2000A Bonds"). The Series 2000B-C Bonds are issued and secured on a parity with the Series 1995 Bonds, the Series 1996 Bonds, the Series 1997 Bonds, the Series 1999A-D Bonds, and the Series 2000A Bonds. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, an opinion of the Attorney General of the State, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the certified proceeding and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Series 2000B-C Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged therefor under the Indenture, to secure the payment of the principal of and interest on Bonds subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2000B-C Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a debt or liability of the State of New Mexico or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2000B-C Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Series 2000B-C Bonds; and

(c) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2000B-C Bonds or any other offering material relating to the Series 2000B-C Bonds and we express no opinion relating thereto.

Respectfully submitted,

[This Page Intentionally Left Blank]

APPENDIX F

SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

[This Page Intentionally Left Blank]

MBIA

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

____
President

Attest: ____________________
Assistant Secretary

STD-R-6
4/95

NEW ISSUE - BOOK ENTRY ONLY

Ratings: *Moody's: Aaa*
S&P: AAA
Fitch: AAA
(See "Ratings" Herein)

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2002A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. In the opinion of such Co-Bond Counsel to the NMFA, under existing laws, interest on the Series 2002A Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes. Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2002A Bonds. See "TAX MATTERS."

$55,610,000
NEW MEXICO FINANCE AUTHORITY
Public Project Revolving Fund
Revenue Bonds
Series 2002A

Dated: Delivery Date

June 1, as shown on inside front cover

The New Mexico Finance Authority's Public Project Revolving Fund Revenue Bonds, Series 2002A (the "Series 2002A Bonds"), are being issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Depository Trust Company will act as securities depository for all of the Series 2002A Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount and maturity of the Series 2002A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2002A Bonds will be made in book-entry form only, and beneficial owners of the Series 2002A Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Series 2002A Bonds.

The Series 2002A Bonds will be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995, as previously amended and supplemented, and as amended and supplemented by a Forty-Fourth Supplemental Indenture of Trust, dated as of May 1, 2002 (collectively, the "Indenture"), between the New Mexico Finance Authority (the "NMFA") and Bank of Albuquerque, N.A., Albuquerque, New Mexico, as Trustee. Principal of and interest (and premium, if any) on the Series 2002A Bonds is payable on June 1 and December 1 of each year, commencing on December 1, 2002, as more fully described herein. Principal of the Series 2002A Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedule set forth on the inside front cover.

SEE MATURITY SCHEDULE
ON INSIDE FRONT COVER

The Series 2002A Bonds are subject to optional and mandatory redemption, and mandatory sinking fund redemption prior to maturity as more fully described herein.

The Series 2002A Bonds are being issued by the NMFA to 1) reimburse the Public Project Revolving Fund for loans made by the NMFA to the 2002 Governmental Units, 2) provide funding for, and reimburse the Public Project Revolving Fund for, water and wastewater grants and water and wastewater planning grants, and 3) reimburse the NMFA for and to finance the costs of issuance of the Series 2002A Bonds. The principal of, premium, if any, and interest on the Series 2002A Bonds are payable solely from and secured solely by the Trust Estate, which includes the NMFA Portion of the Governmental Gross Receipts Tax, certain amounts payable pursuant to agreements between the NMFA and Governmental Units heretofore and hereafter entering into agreements with the NMFA and certain moneys in funds and accounts described herein. Parity bonds have heretofore been issued and may hereafter be issued pursuant to the Indenture with a lien on the Trust Estate on a parity with the lien of the Series 2002A Bonds.

THE SERIES 2002A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE NMFA, PAYABLE, TOGETHER WITH ADDITIONAL BONDS HERETOFORE OR HEREAFTER ISSUED, SOLELY FROM AND SECURED SOLELY BY THE TRUST ESTATE PLEDGED UNDER THE INDENTURE. THE SERIES 2002A BONDS DO NOT CONSTITUTE NOR CREATE A GENERAL OBLIGATION OR OTHER INDEBTEDNESS OF THE STATE OF NEW MEXICO OR (EXCEPT AS EXPRESSLY PROVIDED IN AN AGREEMENT) ANY GOVERNMENTAL UNIT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION.

Payment of principal of and interest on the Series 2002A Bonds when due will be insured under an insurance policy to be issued concurrently with the delivery of the Series 2002A Bonds by MBIA Insurance Corporation.

MBIA

The NMFA has undertaken, for the benefit of owners of the Series 2002A Bonds, to provide certain annual and periodic disclosure as described herein under the caption "CONTINUING DISCLOSURE UNDERTAKING."

Certain legal matters will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Co-Bond Counsel to the NMFA, Albuquerque, New Mexico. Certain legal matters, including certain legal matters with respect to the tax status of the interest paid on the Series 2002A Bonds, will be passed on by Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, Salt Lake City, Utah. Certain legal matters will be passed on for the NMFA by the Office of the Attorney General of the State of New Mexico and for the Underwriters by Sutin, Thayer & Browne A Professional Corporation. Certain legal matters relating to the 2002 Governmental Units have been passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with the Series 2002A Bonds. It is expected that a single certificate for each maturity of the Series 2002A Bonds will be delivered to DTC or its agent on or about July 2, 2002. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 2002A Bonds.

RBC Dain Rauscher

George K. Baum & Company **Salomon Smith Barney** **U.S. Bancorp Piper Jaffray Inc.**

Banc of America Securities LLC

Dated: May 30, 2002

Maturity Schedule

$55,610,000
New Mexico Finance Authority
Public Project Revolving Fund
Revenue Bonds
Series 2002A

$53,550,000 Serial Bonds

Year (June 1)	Principal Amount	Interest Rate	CUSIP Numbers
2003	$5,215,000	2.000%	64711M PM3
2004	5,330,000	2.400%	64711M PN1
2005	4,435,000	2.900%	64711M PP6
2005	1,000,000	4.750%	64711M QH3
2006	4,565,000	3.250%	64711M PQ4
2006	1,000,000	4.500%	64711M QJ9
2007	5,305,000	3.500%	64711M PR2
2008	4,180,000	3.800%	64711M PS0
2009	4,275,000	4.000%	64711M PT8
2010	2,730,000	4.200%	64711M PU5
2011	3,760,000	4.300%	64711M PV3
2012	1,850,000	4.400%	64711M PW1
2013	1,415,000	4.500%	64711M PX9
2014	1,290,000	4.625%	64711M PY7
2015	1,350,000	4.700%	64711M PZ4
2016	1,415,000	4.750%	64711M QA8
2017	1,025,000	4.875%	64711M QB6
2018	1,080,000	5.000%	64711M QC4
2019	1,135,000	5.000%	64711M QD2
2020	1,195,000	5.000%	64711M QE0

$1,145,000 Series 2002A Term Bond due June 1, 2023 bearing interest at 5.00% Price 97.713%, CUSIP Number 64711M QF7

$915,000 Series 2002A Term Bond due June 1, 2026 bearing interest at 5.00% Price 97.276%, CUSIP Number 64711M QG5

No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than as contained in this Official Statement, in connection with the offering of the Series 2002A Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the NMFA or the Underwriters. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized or in which any person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information contained in this Official Statement has been obtained from the NMFA, certain Governmental Units and other sources which are believed by the NMFA to be reliable. The information in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the NMFA, any Governmental Unit or others since the date hereof. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Series 2002A Bonds have not been registered under the Securities Act of 1933, nor has the Indenture been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such Acts. The registration and qualification of the Series 2002A Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2002A Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2002A Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement contains statements relating to the NMFA's and certain Governmental Units' future financial plans, receipt of future revenues and other matters that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend," "anticipate," "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

NEW MEXICO FINANCE AUTHORITY
409 St. Michael's Drive
Santa Fe, New Mexico 87505
telephone: (505) 984-1454
telecopy: (505) 984-0002

Board of Directors

Robert M. Goodman, Chairman
William F. Fulginiti, Vice Chairman
H. Dan Shannon, Secretary
Phil Archibeck
Jon M. Brown
Danny K. Earp
Harold G. Field, II
John Garcia
Peter Maggiore
Sam Montoya
Betty Rivera
Mary L. Thompson

Executive Director

Tom K. Pollard, Ph.D.

NMFA Counsel

Office of the Attorney General
State of New Mexico

Financial Advisor

Western Financial Group, LLC
Lake Oswego, Oregon

Co-Bond Counsel

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
Albuquerque, New Mexico

Ballard Spahr Andrews & Ingersoll, LLP
Salt Lake City, Utah

TABLE OF CONTENTS

OFFICIAL STATEMENT

$55,610,000
NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS
SERIES 2002A

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale of the Public Project Revolving Fund Revenue Bonds, Series 2002A (the "Series 2002A Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2002A Bonds, together with additional bonds heretofore or hereafter issued on parity therewith, are collectively referred to herein as the "Bonds." Capitalized terms used herein and not defined have the meanings specified in the General Indenture of Trust and Pledge dated as of June 1, 1995, as heretofore supplemented and amended (the "General Indenture") between the NMFA and Bank of Albuquerque, N.A., Albuquerque, New Mexico, as successor trustee (the "Trustee"), and as further supplemented and amended by the Forty-Fourth Supplemental Indenture of Trust dated as of May 1, 2002 (the "Supplemental Indenture") between the NMFA and the Trustee and are set forth under "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - CERTAIN DEFINITIONS" in Appendix B hereto. The General Indenture and the Supplemental Indenture are collectively referred to herein as the "Indenture." See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2002A Bonds to potential investors is made only by means of the entire Official Statement.

New Mexico Finance Authority

The NMFA, established by the legislature of the State of New Mexico (the "State") in 1992, is a governmental instrumentality created to coordinate the planning and financing of state and local public projects. The NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the State, except that a legislative oversight committee is empowered to monitor and oversee its operations. For additional information concerning the NMFA, see "NEW MEXICO FINANCE AUTHORITY" herein and the financial statements included as Appendix A hereto.

Purposes of the Series 2002A Bonds; The 2002 Governmental Units; Other Governmental Units

Proceeds from the sale of the Series 2002A Bonds will be used to reimburse the NMFA for loans made by the NMFA from its public project revolving fund (the "2002 Loans") to certain Governmental Units (the "2002 Governmental Units") identified under the caption "THE PLAN OF FINANCING - Governmental Units and the 2002 Projects" herein. The 2002 Loans provided funds to the 2002 Governmental Units to pay for all or a portion of the costs of certain projects (the "2002 Projects"), as more fully described herein. For certain information concerning the 2002 Governmental Units and their respective 2002 Projects see "THE

PLAN OF FINANCING -- Governmental Units and the 2002 Projects" herein. The 2002 Governmental Units have each executed an individual loan agreement for each project (the "2002 Loan Agreements"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS." The 2002 Loan Agreements, together with loan agreements, grant agreements and securities relating to parity bonds heretofore or hereafter issued, are referred to herein as the "Loan Agreements." The 2002 Governmental Units together with other governmental units heretofore or hereafter entering into Loan Agreements are herein collectively referred to as "Governmental Units." Bonds with a lien on the Trust Estate on a parity with the lien thereon of the Series 2002A Bonds have been issued previously and may be issued in the future to provide loans and grants to and to purchase securities from certain other Governmental Units. See "PLAN OF FINANCING - Governmental Units and Projects." For a description of the parity bonds currently outstanding, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS - Outstanding Parity Bonds."

Proceeds will also be used to provide funding for, and to reimburse the Public Project Revolving Fund for, water and wastewater grants and water and wastewater planning grants made to certain governmental units (the "Grant Recipients"), and the payment of and the reimbursement to the NMFA for payment by the NMFA of costs of issuance of the Series 2002A Bonds.

Authority for Issuance

The Series 2002A Bonds are being issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMSA 1978, as amended (the "Act"), and the Indenture. For a description of the Public Project Revolving Fund Program, see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein. For a description of the Water and Wastewater Grants Fund Program, see "NEW MEXICO FINANCE AUTHORITY - Water and Wastewater Grants Fund Program" herein. For a description of the Water and Wastewater Planning Fund Program, see "NEW MEXICO FINANCE AUTHORITY - Water and Wastewater Planning Fund Program" herein.

Terms of the Series 2002A Bonds

Payments

The Series 2002A Bonds will be dated the Delivery Date. Interest on the Series 2002A Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2002. The Series 2002A Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear the interest rates shown on the inside front cover hereof.

Denominations

The Series 2002A Bonds are issuable in denominations of $5,000 or integral multiples thereof.

Book-Entry System

Individualpurchases will be made in book-entry form only, and purchasers of the Series 2002A Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest on the Series 2002A Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2002A Bonds, all as more fully described in "THE SERIES 2002A BONDS - Book-Entry-Only System." *When reading this Official Statement, it should be understood that while the Series 2002A Bonds are in book-entry-only form, references in other sections of this Official Statement to Owners should be read to include the person for whom the Participants (as hereinafter defined) and indirect participants acquire an interest in the Series 2002A Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system as described more fully herein, and (ii) notices that are to be given to Owners by the NMFA, the Trustee, the Registrar or the Paying Agent will be given only to DTC.*

Redemption of the Series 2002A Bonds

The Series 2002A Bonds are subject to optional and mandatory redemption and mandatory sinking fund redemption prior to maturity. See "THE SERIES 2002A BONDS - Redemption of the Series 2002A Bonds."

Security and Sources of Payment for the Series 2002A Bonds

Special, Limited Obligations

The Series 2002A Bonds are special, limited obligations of the NMFA payable solely from the Trust Estate, which includes the Revenues described below and certain funds and accounts created and maintained pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS - Special, Limited Obligations."

Revenues

Revenues are defined by the General Indenture to mean: (i) all revenues received or earned by the NMFA from or attributable to the Loan Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned on and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund). All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement) shall be deposited at least once each year in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Loan Agreement, provided, however, that all earnings received on the Governmental Units' Accounts shall be allocated solely to the benefit of such Governmental Unit. For a description of the Loan Agreements, the NMFA Portion of the Governmental Gross Receipts Tax and the Additional Pledged Loans, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS - Revenues." For a description of the funds and accounts created by the Indenture see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS - Flow of Funds." See also "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

Additional Bonds

The NMFA must meet certain requirements prior to the issuance of Additional Bonds or other obligations with a lien on the Trust Estate on a parity with the lien of the Series 2002A Bonds. For a description of these requirements, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS - Additional Bonds." For a discussion of the outstanding parity bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS - Outstanding Parity Bonds." The NMFA may not issue bonds or other indebtedness payable with a priority senior to the lien on the Trust Estate of the Bonds without the written consent of 100% of the owners of Outstanding Bonds. The NMFA has issued, and may in the future issue, indebtedness having a lien on the Trust Estate subordinate to that of the Series 2002A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS – Outstanding Subordinate Debt."

The NMFA anticipates continuing to provide loans, to provide grants, and to purchase securities from Governmental Units and expects to finance those activities with the issuance of additional bonds on a parity with the Series 2002A Bonds; however, the timing, amount and other details of such parity bonds have not been determined.

Bond Insurance

The principal of and interest on the Series 2002A Bonds will be insured by a municipal bond insurance policy (the "Financial Guaranty Insurance Policy") to be issued by MBIA Insurance Corporation (the "Bond Insurer") simultaneously with the issuance of the Series 2002A Bonds. For information concerning the Bond Insurer and the Financial Guaranty Insurance Policy to be issued for the Series 2002A Bonds, see "BOND INSURANCE" herein. See Appendix F for a specimen of the Financial Guaranty Insurance Policy.

Continuing Disclosure

The NMFA has undertaken for the benefit of the Bond Owners that, so long as the Series 2002A Bonds remain outstanding, the NMFA will provide certain annual financial information with respect to the NMFA and any Governmental Unit whose repayment obligations to the NMFA will represent more than 5% of the estimated annual Revenues for any year during which the Series 2002A Bonds are outstanding to each nationally recognized municipal securities information repository and notice of certain material events to the Municipal Securities Rulemaking Board (the "MSRB") in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as described in "CONTINUING DISCLOSURE UNDERTAKING."

Continuing disclosure undertakings previously entered into by NMFA called for it to file an annual report and audit with respect to the Fiscal Year ended June 30, 1997, no later than 270 days after the end of such fiscal year. In November 1998, the NMFA discovered that such report and audit had not yet been filed. On November 25, 1998, the NMFA notified the MSRB of its failure to file the report and audit and by December 15, 1998, such report and audit had been filed with the nationally recognized municipal securities information repositories (the "NRMSIRs"). The NMFA believes that it is now in compliance with its continuing disclosure undertakings.

Tax Considerations

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2002A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

In the opinion of such Co-Bond Counsel, under existing laws of the State of New Mexico as currently enacted and construed, interest on the Series 2002A Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2002A Bonds.

The form of opinion to be delivered by Ballard Spahr Andrews & Ingersoll, LLP, as Co-Bond Counsel to the NMFA, is included in Appendix E hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 2002A Bonds, see "TAX MATTERS" herein.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2002A Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel to the NMFA, will deliver its opinion included in Appendix E hereto and Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, will deliver its opinion discussed under "TAX MATTERS" and also included in Appendix E hereto. Certain legal matters relating to the Series 2002A Bonds will be passed upon for the Underwriters by their counsel, Sutin Thayer & Browne A Professional Corporation. Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. See "LEGAL MATTERS" herein. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with its issuance of the Series 2002A Bonds. See "EXPERTS" herein.

The NMFA's financial statements for the Fiscal Year ended June 30, 2001, included in Appendix A hereto, have been audited by Neff & Ricci, LLP, certified public accountants, Albuquerque, New Mexico.

Offering and Delivery of the Series 2002A Bonds

The Series 2002A Bonds are offered when, as and if issued, subject to approval as to their legality by Co-Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each maturity of the Series 2002A Bonds will be delivered to DTC or its agent on or about July 2, 2002.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 409 St. Michael's Drive, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 2002A Bonds.

THE SERIES 2002A BONDS

Generally

Set forth below is a summary of certain provisions of the Series 2002A Bonds. Other information describing the Series 2002A Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Indenture and the Series 2002A Bonds. For a description of certain provisions of the Indenture, see "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto. Copies of the approved forms of the Indenture are available as provided in "ADDITIONAL INFORMATION" herein.

The Series 2002A Bonds are being issued pursuant to the Act, the Indenture, and a bond resolution adopted by the NMFA on May 30, 2002. The Series 2002A Bonds are being issued to reimburse the NMFA for loans made to the 2002 Governmental Units as more particularly described herein as part of the NMFA's Public Project Revolving Fund Program. For a description of such program see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein. See also "THE PLAN OF FINANCING - Sources and Uses of Funds." The Series 2002A Bonds also are being issued to provide funding for the Water and Wastewater Grant Program , to provide funding for the Water and Wastewater Planning Program and to pay a portion of the costs of issuance of the Series 2002A Bonds.

Description of the Series 2002A Bonds

The Series 2002A Bonds are being issued pursuant to the Indenture and will be dated as of the Delivery Date. Interest on the Series 2002A Bonds will accrue from the Delivery Date of the Series 2002A Bonds at the rates set forth on the inside front cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), and is payable on June 1 and December 1 of each year, commencing December 1, 2002. The Series 2002A Bonds will be issued in the aggregate principal amount and will mature on the dates and in the amounts shown on the inside front cover (unless redeemed prior to maturity). The Series 2002A Bonds are issuable in denominations of $5,000 or integral multiples thereof (the "Authorized Denominations").

As long as no Event of Default (as defined in the Indenture) exists under the Indenture and so long as the Bond Insurer is not in payment default under the Financial Guaranty Insurance Policy, the Bond Insurer will be considered to be an owner of the Series 2002A Bonds and will have the same rights as owners of the Series 2002A Bonds. In the event that an Event of Default exists under the Indenture and so long as the Bond Insurer is not in payment default under such policy, the Bond Insurer will be deemed to be the sole owner of the Series 2002A Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the Series 2002A Bonds would be entitled to take pursuant to the Indenture.

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the NMFA believes to be reliable, but the NMFA takes no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series 2002A Bonds. The Series 2002A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2002A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2002A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2002A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2002A Bonds, except in the event that use of the book-entry system for the Series 2002A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2002A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2002A Bonds with DTC and their registration in the name of Cede & Co. Or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2002A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2002A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2002A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2002A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principaland interest payments on the Series 2002A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the NMFA, the Trustee or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the NMFA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the NMFA or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

So long as Cede & Co. or its registered assign is the registered owner of the Series 2002A Bonds, the NMFA and the Trustee will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the NMFA or the Trustee and the NMFA and the Trustee will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Series 2002A Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC, and neither the NMFA nor the Trustee has responsibility for distributing such notices to the Beneficial Owners.

Neither the NMFA nor the Trustee have any responsibility or obligation to the DTC Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series 2002A Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2002A Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Series 2002A Bonds.

DTC may discontinue providing its services as securities depository with respect to the Series 2002A Bonds at any time by giving reasonable notice to the NMFA or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The NMFA may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed.

Redemption of the Series 2002A Bonds

Generally

The Series 2002A Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth below.

Optional Redemption by the NMFA

The Series 2002A Bonds maturing on or after June 1, 2013, are subject to optional redemption at any time on and after June 1, 2012, in whole or in part, in such order of maturity as may be selected by the NMFA and by lot within each maturity of a series (if in part, in integral multiples of $5,000 of a series), at the option of the NMFA, upon notice as provided in the Indenture and at the redemption price of 100% of the principal amount of the Series 2002A Bonds to be redeemed, plus accrued interest to the redemption date, but without premium.

Mandatory Redemption upon Prepayment under a 2002 Loan Agreement

If a 2002 Governmental Unit whose 2002 Project was financed by the Series 2002A Bonds makes a Prepayment in whole or in part under its 2002 Loan Agreement, the Series 2002A Bonds which financed such 2002 Governmental Unit's 2002 Project are subject to mandatory redemption, in whole or in part, on any date on or after the date on which the Prepayment is made, in an amount equal to the Principal Component of the Prepayment, at a redemption price of 100% of the principal amount of the Series 2002A Bonds to be redeemed plus accrued interest to the redemption date. *A 2002 Governmental Unit whose 2002 Project* *was financed by the Series 2002A Bonds shall have the option to make a Prepayment resulting in such mandatory redemption at such redemption price at any time.* The maturity dates of the Series 2002A Bonds to be redeemed shall correspond to the principal amounts and due dates of the Principal Component of such Prepayment. The Series 2002A Bonds to be redeemed within each maturity are to be selected by lot in such manner as the Trustee deems appropriate.

The NMFA or the Trustee is to recalculate the Loan Payments due under any 2002 Loan Agreement in the case of a partial Prepayment of Loan Payments under such 2002 Loan Agreement in a manner which is consistent with the manner in which the Series 2002A Bonds are redeemed. For a listing of the 2002 Projects financed by the Series 2002A Bonds see "THE PLAN OF FINANCING - Governmental Units and the 2002 Projects" herein.

Historical Mandatory Redemptions

In calendar year 1999, the NMFA received a Prepayment in the amount of $485,000. In calendar year 2001, the NMFA received three Prepayments in the aggregate amount of $30,000 and in calendar year 2002 (to date), the NMFA received two Prepayments in the aggregate amount of $4,510,000.

Mandatory Sinking Fund Redemption of the Series 2002A Term Bonds

The Series 2002A Bonds maturing on June 1, 2023, are subject to mandatory sinking fund redemption on each of the dates set forth below, at a price equal to 100% of the principal amount of each Series 2002A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2021	$610,000
2022	260,000
2023+	275,000

+ Final Maturity

The Series 2002A Bonds maturing on June 1, 2026, are subject to mandatory sinking fund redemption on each of the dates set forth below, at a price equal to 100% of the principal amount of each Series 2002A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2024	$290,000
2025	305,000
2026+	320,000

+ Final Maturity

If less than all of the Series 2002A Bonds maturing on June 1, 2023 and 2026 then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA as follows: (i) if the Series 2002A Bonds are redeemed upon a Prepayment of all or a portion of a 2002 Loan Agreement relating to the Series 2002A Bonds, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments and (ii) if the Series 2002A Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

Notice of Redemption

In the event any of the Series 2002A Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2002A Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar at least 30 days, but not more than 60 days, prior to the date fixed for redemption.

In addition, further notice of any redemption of Series 2002A Bonds is to be given by the Trustee at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 2002A Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 2002A Bonds. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

If at the time of mailing of any notice of redemption there are not on deposit with the Trustee moneys sufficient to redeem all the Series 2002A Bonds called for redemption, such notice is to state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

A second notice of redemption is to be given, not later than 90 days subsequent to the redemption date, to Registered Owners of Series 2002A Bonds or portions thereof redeemed but who failed to deliver Series 2002A Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such Series 2002A Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 2002A Bonds.

Partially Redeemed Series 2002A Bonds

In case any Series 2002A Bond is redeemed in part, upon the presentation of such Series 2002A Bond for such partial redemption, the NMFA shall execute and the Trustee shall authenticate and deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the NMFA, a Series 2002A Bond or Series 2002A Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2002A Bond. A portion of any Series 2002A Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or an integral multiple thereof and in selecting portions of such Series 2002A Bonds for redemption, the Trustee will treat each such Series 2002A Bond as representing that number of Series 2002A Bonds of

$5,000 denomination which is obtained by dividing the principal amount of such Series 2002A Bonds by $5,000.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS

Special, Limited Obligations

The Series 2002A Bonds are special, limited obligations of the NMFA payable solely from the Revenues, proceeds of the Series 2002A Bonds (until used as provided in the Indenture) and other moneys held in certain funds and accounts held by the Trustee under the Indenture (the "Trust Estate"). **The Series 2002A Bonds shall not constitute nor create a general obligation or other indebtedness of the State or (except as expressly provided in a Loan Agreement) any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE NMFA HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2002A Bonds shall not constitute or give rise to a pecuniary liability on the part of the directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA shall impose a pecuniary liability or a charge upon the general credit or taxing power of the State or any political subdivision of the State.**

Revenues

Generally

Revenues include (i) all revenues received or earned by the NMFA from or attributable to the Loan Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the funds and accounts created under the Indenture (except the Rebate Fund). All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement) shall be deposited at least once each year in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Loan Agreement, provided, however, that all earnings received on the Governmental Units' Accounts shall be allocated solely to the benefit of such Governmental Unit. As discussed under "Flow of Funds" below, revenues received from a Governmental Unit by the Trustee on behalf of the NMFA pursuant to a Loan Agreement are deposited in a separate account of the Debt Service Fund established for that Governmental Unit and are periodically transferred by the Trustee to the Bond Fund and used to make debt service payments on the Bonds. All revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax and from any Additional Pledged Loans are transferred to the Trustee and deposited in the Revenue Fund. Moneys in the Revenue Fund are used each Bond Fund Year to pay debt service on the Bonds to the extent that moneys in the several accounts of the Debt Service Fund are insufficient and to pay debt service on the portions of the Bonds used to finance grants. At the end of each Bond Fund Year moneys in the Revenue Fund in excess of the requirements for such moneys under the Indenture are transferred to the NMFA and are no longer part of the Trust Estate. For a more complete description of the funds and accounts into which Revenues are deposited, see "Flow of Funds" below under this caption, and "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts" in Appendix B hereto.

The Agreements and the Agreement Pledged Revenues

Generally. The Agreements consist of Loan Agreements and Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of their respective projects by the NMFA. (Under the Indenture "Agreements" also includes Grant Agreements, however the Grant Agreements contain no repayment provisions.) Under each Loan Agreement or issue of Securities, the respective Governmental Unit pledges to the NMFA for payment of all amounts due under their respective Agreements (i) revenues of specific enterprise systems or revenues attributable to certain taxes (such pledged revenues the "Agreement Pledged Revenues") and (ii) moneys in certain funds and accounts held by the Trustee. Each Governmental Unit executing a Loan Agreement or issuing Securities agrees to promptly pay principal of and interest on its loan from its Agreement Pledged Revenues and to continue such payments until its loan is paid in full.

Agreement Reserve Fund. Pursuant to the Indenture, an Agreement Reserve Fund has been created which will be held by the Trustee. Within such fund currently are accounts relating to those Governmental Units having a repayment obligation to the NMFA pursuant to a Loan Agreement or Securities for which the NMFA determined to require such accounts. Amounts in a Governmental Unit's account of the Agreement Reserve Fund will be withdrawn by the Trustee and deposited into that Governmental Unit's account of the Debt Service Fund to the extent of any shortfall in payments by such Governmental Unit under its Loan Agreement or Securities and any associated Additional Pledged Loans. **Amounts in a Governmental Unit's account of the Agreement Reserve Fund will not be used to cover shortfalls in payments of other Governmental Units and will not otherwise be available to defray deficiencies in the Bond Fund.** See "PLAN OF FINANCING - Sources and Uses of Funds" herein and "Flow of Funds" below under this caption.

For a discussion of the separate reserve account established within the Revenue Fund see "Flow of Funds" below under this caption.

Agreements with Governmental Units.

Each Governmental Unit which has entered into a Loan Agreement (or has issued Securities) has pledged specific Agreement Pledged Revenues to the repayment of its Loan. Financial information and operating data for the State Parks Division of the Energy, Minerals and Natural Resources Department of the State and the City of Albuquerque, New Mexico, the only Governmental Units which are expected to be providing more than 5% of the estimated annual Revenues in any year when Bonds will be Outstanding, is set forth in Appendix D hereto. Financial information and operating data are not set forth for any other Governmental Unit.

No Obligation of Governmental Units to Cover Shortfalls. A Governmental Unit is not required to make up any Loan Payment not paid in full by another Governmental Unit or to make up any insufficiency in the NMFA Portion of the Governmental Gross Receipts Tax.

The Governmental Gross Receipts Tax

Generally. Pursuant to Section 7-1-6.38, NMSA 1978, the NMFA is allocated 75% of all net receipts of a governmental gross receipts tax which is levied and collected pursuant to Section 7-9-4.3, NMSA 1978. For purposes of this Official Statement, the 75% net receipts which is allocated to the NMFA is referred to as the "NMFA Portion of the Governmental Gross Receipts Tax." Under the Indenture, the NMFA Portion of the Governmental Gross Receipts Tax, and payments attributable to Additional Pledged Loans, if any, shall be paid when received by NMFA to the Trustee and shall be accounted for and maintained by the Trustee in the Revenue Fund created under the Indenture within the Public Project Revolving Fund and are available (i) to pay debt service on the Bonds to the extent Loan Payments paid by the Governmental Units pursuant to the Agreements are not sufficient to pay debt service when due and (ii) to pay debt service on the portions of the Bonds issued to fund Grants. See "Flow of Funds" under this caption for additional information on the use of moneys in the Revenue Fund. See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Exhibit B hereto for certain information concerning the Revenue Fund and allocation of amounts therein to payment of principal and interest on the Bonds.

Pursuant to Section 7-9-4.3, NMSA 1978, the governmental gross receipts tax is imposed on the governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except school districts and certain health care entities.

Governmental gross receipts are defined in Section 7-9-3.2, NMSA 1978, as all receipts of the State of New Mexico or any agency, institution, instrumentality or public subdivision thereof except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services, from:

(a) the sale of tangible personal property other than water from facilities open to the general public;

(b) the performance of or admissions to recreational, athletic or entertainment services or events in facilities open to the general public;

(c) refuse collection, refuse disposal or both;

(d) sewage services; and

(e) the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the State of New Mexico.

The definition of governmental gross receipts includes receipts from the sale of tangible personal property handled on consignment when sold from facilities open to the general public, but excludes cash discounts taken and allowed, governmental gross receipts tax payable on transactions reportable for the period and any type of time-price differential.

The governmental gross receipts tax was enacted into law and first imposed in 1991. It is imposed at a rate of 5% on the governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services. In addition, the governmental gross receipts tax is not imposed on: (i) receipts from transactions involving tangible personal property or services on which the gross receipts tax, compensating tax, motor vehicle excise tax, gasoline tax, special fuel tax, special fuel excise tax, oil and gas emergency school tax, resources tax, processors tax, service tax, or the excise tax imposed under Section 66-12-6.1 NMSA 1978, is imposed; (ii) receipts from the sale of gas or electricity by a utility owned or operated by a county, municipality or other political subdivision or on receipts from operation of a cable television system owned or operated by a municipality, because those receipts are subject to the regular gross receipts tax under Section 7-9-13, NMSA 1978; (iii) receipts from selling livestock and receipts of growers, producers, trappers or nonprofit marketing associations from selling livestock, live poultry, unprocessed agricultural products, hides or pelts; or (iv) receipts from selling tickets, parking, souvenirs, concessions, programs, advertising, merchandise, corporate suites or boxes, broadcast revenues and all other products, services, or activities sold at, related to or occurring at a minor league baseball stadium on which a stadium surcharge is imposed pursuant to the Minor League Baseball Stadium Funding Act.

Deductions from the governmental gross receipts tax include: (i) certain receipts from selling tangible personal property to the United States or the State of New Mexico or any governmental unit or subdivision, agency, department or instrumentality thereof; (ii) receipts from selling tangible personal property to an Indian tribe, nation or pueblo or any governmental subdivision, agency, department or instrumentality thereof for use on Indian reservations or pueblo grants; (iii) certain receipts from the sale of tangible personal property to a person engaged in the business of manufacturing if the sale is made to a person who delivers a non-taxable transaction certificate to the seller; (iv) receipts from transactions in interstate commerce; (v) receipts from selling tangible personal property, licenses or a service for resale if the sale is made to a person who delivers a nontaxable transaction certificate to the seller; (vi) certain receipts from selling tangible personal property to entities exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended or renumbered, if the sale is made to an organization that delivers a nontaxable transaction certificate to the seller; (vii) refunds and allowances made to buyers or amounts written off the books as an uncollectible debt by a person reporting governmental gross receipts tax on an accrual basis; (viii) certain receipts from selling prosthetic devices if the sale is made to a person who is licensed to practice medicine, osteopathic medicine, dentistry, podiatry, optometry, chiropractic or professional nursing and who delivers a nontaxable transaction certificate to the seller; and (ix) receipts from the sale of prescription drugs.

Collection and Distribution Information. Governmental agencies are treated as taxpayers under the provisions of the Tax Administration Act, Section 7-1-1, et seq., NMSA 1978, and are responsible for paying the governmental gross receipts tax to the New Mexico Taxation and Revenue Department in accordance with the State's Tax Administration Act. Collections are first deposited into a tax administration suspense fund for the purpose of making disbursements for refunds, among other things. On the last day of each month, the balance in the suspense fund is identified by tax source and distributed to the appropriate municipalities or state agencies, including the NMFA. Collection of governmental gross receipts tax is administered by the New Mexico Taxation and Revenue Department. Governmental gross receipts taxes are to be paid on or before the 25th day of the month following the month in which the taxable event occurs.

Set forth below is information from the New Mexico Taxation and Revenue Department concerning collections of the governmental gross receipts tax for the fiscal years 1996-1997 through 2000-2001. There can be no assurance that governmental gross receipts tax collections will continue to grow at historical rates or otherwise.

GOVERNMENTAL GROSS RECEIPTS TAXES COLLECTIONS
Fiscal Years 1997 - 1998 through 2001 - 2002

	Fiscal Year 1997 - 1998	Fiscal Year 1998 - 1999	Fiscal Year 1999 - 2000	Fiscal Year 2000 - 2001	Fiscal Year 2001-2002**
Total Net Receipts	$16,978,976	$16,897,029	$19,372,893	$20,994,555	$21,874,185
NMFA Portion of the Governmental Gross Receipts Tax	$12,734,232	$12,672,772*	$14,529,670	$15,745,916	$16,405,639

*The actual taxes collected for the NMFA by the New Mexico Taxation and Revenue Department were approximately $1.2 million higher than reported in the audited financial statements for the 1998-1999 fiscal year. The audited financial statements do not include this higher amount because this additional amount was not received by the NMFA within 60 days of its year end, and therefore not included as revenue in accordance with Generally Accepted Accounting Principles.

**Unaudited. Includes eleven months of governmental gross receipts tax collections.

Set out below is information concerning the top eight payers of the governmental gross receipts tax for fiscal years 1998-1999 through 2000-2001. Such information is not publicly available from the State and has instead been obtained from each individual entity, and the NMFA does not guaranty the accuracy of any such information.

Eight Largest Payers of
Governmental Gross Receipts Taxes
Fiscal Years 1998-1999 through 2000-2001

	Fiscal Year 1998-1999		Fiscal Year 1999-2000		Fiscal Year 2000-2001	
Entity	Amount Paid	% of Total GGRT of All Entities in NM	Amount Paid	% of Total GGRT of All Entities in NM	Amount Paid	% of Total GGRT of All Entities in NM
City of Albuquerque	$6,934,802	41.04%	$6,679,102	34.48%	$7,292,312	34.73%
City of Santa Fe	1,522,426	9.01%	1,847,947	9.54%	1,623,829	7.73%
University of New Mexico	1,233,416	7.30%	1,410,509	7.28%	1,535,237	7.31%
City of Las Cruces	858,575	5.08%	925,253	4.78%	911,589	4.34%
City of Rio Rancho	634,870	3.76%	628,884	3.25%	612,096	2.92%
City of Farmington	636,834	3.77%	637,007	3.29%	662,617	3.16%
City of Roswell	546,526	3.23%	523,072	2.70%	530,539	2.53%
County of Los Alamos	378,144	2.24%	376,144	1.94%	372,289	1.77%
Total	$12,745,593	75.43%	$13,027,918	67.25%	$13,540,509	64.49%

Source: Individual entities.

Additional Pledged Loans

Subject to the approval of the State Legislature, the NMFA may make loans from or purchase securities with available funds in the Public Project Revolving Fund. At its option, the NMFA may designate such loans or securities as Additional Pledged Loans (as hereinafter defined) and upon such designation the principal and interest payments on such loans or securities become pledged by the NMFA to the payment of Bonds. See "Flow of Funds," below under this caption. For the total amount of outstanding Additional Pledged Loans, as hereinafter defined, see "THE PLAN OF FINANCING - Governmental Units and the 2002A Project."

Flow of Funds

The Indenture creates a Revenue Fund, a Bond Fund, a Debt Service Fund with separate accounts for each Governmental Unit receiving a Loan, and an Agreement Reserve Fund with a separate account, if required, for each Governmental Unit receiving a Loan that has a reserve requirement. The repayment obligations of those Governmental Units receiving Additional Pledged Loans who have also entered into Loan Agreements with or issued Securities purchased by the NMFA, payable from the same revenue source, are on parity with amounts due with respect to such Loan Agreements or Securities.

Flow of Funds Under General Indenture

All Loan Payments and other amounts paid by Governmental Units pursuant to the Loan Agreements and Securities are to be paid directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee prior to each Interest Payment Date, and the Trustee is to deposit all such payments immediately upon receipt thereof, as follows:

First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan.

Second: to the related Account, if any, in the Agreement Reserve Fund to the extent necessary to cause the balance in said Account to equal the Agreement Reserve Requirement, if any, of such Account.

Third: to the payment of Program Costs (to the extent allocable to such Agreement).

On the fifth day preceding a Loan Payment Date (or, if such fifth day is not a Business Day, on the Business Day next preceding such fifth day), if the amount on deposit in any Governmental Unit's Account of the Debt Service Fund is insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, the Trustee is to transfer from the related Agreement Reserve Account, if any, to that Governmental Unit's Account of the Debt Service Fund, an amount sufficient, together with amounts in such Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date.

On each Interest Payment Date for the Bonds, the Trustee is to transfer moneys in the respective Accounts of the Debt Service Fund to the Bond Fund to pay the interest on the related Bonds becoming due on such Interest Payment Date and to pay the principal of each related Bond due at maturity or by prior redemption, to the extent amounts are on deposit therein for such purpose. At least once each year, the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, if any, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided however, that with respect to Loans relating to the Series 1997 Bonds, the Series 1999 A-D Bonds, the Series 2000B-C Bonds or the Series 2002A Bonds any such excess shall be distributed as follows: (a) any excess attributable to earnings on funds and accounts for a Governmental Unit shall be returned to such Governmental Unit or shall be credited to the Loan Payments next coming due under such Governmental Unit's Agreement and (b) any excess attributable to the difference in interest rates on such Governmental Unit's Loan and the Series 1997 Bonds, the Series 1999A-D Bonds, the Series 2000B-C Bonds and the Series 2002A Bonds, as applicable, shall be deposited into the Revenue Fund.

The above provisions, with respect to the flow of funds, do not apply to moneys provided pursuant to the 2000A Loan Agreement. For a description of the flow of funds with respect to the 2000A Loan Agreement, see "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Application of Loan Payments" in Appendix B hereto.

Revenue Fund

During each Bond Fund Year, all Revenues constituting receipts from the NMFA Portion of the Governmental Gross Receipts Tax and principal and interest payments from Additional Pledged Loans are to be paid by the NMFA to the Trustee prior to each Interest Payment Date and shall be accounted for and maintained by the Trustee in the Revenue Fund. On each Interest Payment Date, the Trustee (except as otherwise provided in a Supplemental Indenture) is to transfer from the Revenue Fund (including any amounts in the separate account described in the next paragraph) to the Bond Fund (i) an amount equal to the principal and interest due on such Interest Payment Date on the portion of any Bonds, the proceeds of which were used to make Grants and (ii) if the amounts on deposit in the Bond Fund are insufficient for payments coming due with respect to the Bonds on such Interest Payment Date, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the principal and interest due on the Bonds on such Interest Payment Date.

At the conclusion of each Bond Fund Year, the Trustee is to retain in the Revenue Fund, in a separate account to be created therein (to the extent of amounts remaining in the Revenue Fund), the following:

(i) an amount equal to any deficiency in any account in the Agreement Reserve Fund;

(ii) with respect to Agreements for which (A) no Agreement Reserve Account was created in the Agreement Reserve Fund and (B) a default in the payment of principal or interest under such Agreement has occurred and is continuing, an amount equal to the least of (x) 10% of the proceeds of such Agreement, (y) maximum annual debt service on such Agreement and (z) 1.25 times average annual debt service on such Agreement; and

(iii) with respect to Bonds issued to finance Grants and for which no other debt service reserve fund has been created, an amount equal to the least of (A) 5% of the proceeds of the Bonds issued to finance such Grant, (B) one-half of maximum annual debt service on the Bonds issued to finance such Grants and (C) .625 times average annual debt service on the Bonds issued to finance such Grant.

Pursuant to the Indenture, the NMFA is not required to contribute any amounts to fund the retention described in the preceding paragraph other than from amounts on deposit in the Revenue Fund at the end of each Bond Fund Year, and no default under the Indenture occurs solely by reason of any insufficiency of funds remaining in the Revenue Fund to fund such retention.

After making the foregoing deposits, at the conclusion of each Bond Fund Year, and after making the payments required by the Indenture during such Bond Fund Year, the Trustee is to transfer the balance on deposit in the Revenue Fund to the NMFA, and the NMFA may use such balance for:

(i) Public Project Revolving Fund purposes;

(ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund;

(iii) refinancing, refunding, purchasing or advance refunding of any Bonds;

(iv) the payment of subordinate lien bonds; or

(v) any other lawful purpose.

The balance so transferred to the NMFA and not deposited into the Bond Fund is no longer pledged to the payment of debt service on the Bonds.

Additional Bonds

Generally

Additional Bonds or other indebtedness, bonds or notes of the NMFA payable on a parity with the Bonds out of the Trust Estate may be issued or incurred, only if certain requirements have been met, including the following:

(a) NMFA must deliver to the Trustee a Cash Flow Statement, taking into account the issuance of the Additional Bonds or other indebtedness, bonds or notes. The requirements of the Cash Flow Statement are set forth under "Cash Flow Statement," below.

(b) All payments required by the Indenture to be made into the Bond Fund must have been made in full.

(c) The proceeds of the Additional Bonds or other indebtedness, bonds or notes must be used (i) to refund Bonds issued under the Indenture or other obligations of the NMFA (including the funding of necessary reserves and the payment of costs of issuance) or (ii) to make additional Loans or Grants or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance).

(d) No Event of Default shall have occurred and be continuing under the Indenture, except that the foregoing shall not preclude the issuance of Additional Bonds or other indebtedness, bonds or notes if (i) the issuance of such Additional Bonds or other indebtedness, bonds or notes otherwise complies with the requirements of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of the Additional Bonds or other indebtedness, bonds or notes and the application of the proceeds thereof.

Any of the foregoing requirements may be revised or deleted with written evidence from the Rating Agency to the effect that such revision or deletion will not result in the rating on the Outstanding Bonds being lowered.

Cash Flow Statement

Pursuant to the Indenture, "Cash Flow Statement" means a certificate of the NMFA:

(a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate, the following:

(A) the amount of the NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(B) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(C) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding; and

(b) showing that in each such Bond Fund Year the aggregate of the amount set forth in clause (A) above divided by 1.35, plus the aggregate amount set forth in clause (B) above, exceeds 100% of the aggregate of the amounts set forth in clause (C) above. For purposes of the foregoing, the following assumptions apply:

(i) The NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period during the 24 months next preceding the delivery of the Cash Flow Statement;

(ii) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(iii) Loans and Additional Pledged Loans will be assumed to remain in their current category designations throughout the period projected in the Cash Flow Statement.

For purposes of the Indenture and the Cash Flow Statement, "Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

Category of Loans and Additional Pledged Loans	**Applicable Percentage**
Category I	100%
Category II	80%
Category III	50%
Category IV	0%

Category I Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the third highest full rating category or higher by the Rating Agency.

Category II Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

Category III Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

Category IV Loans and Additional Pledged Loans are all Non-Performing Loans and Additional Pledged Loans, Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been replenished in accordance with the related Agreement, and Loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agency.

"Non-Performing Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a covenant default) or under which a delinquency exists in payments of principal or interest thereunder.

"Rating Agency" means Moody's Investors Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

Pursuant to the Indenture, at the time of issuance of each series of Bonds, each of the Agreements executed in connection with such issuance is required to be submitted to the Rating Agency for assignment of a designation or rating or shall be designated in Category IV by the NMFA without submission to the Rating Agency. In addition, each Additional Pledged Loan is required to be submitted to the Rating Agency for assignment of a designation or a rating or shall be designated in Category IV by NMFA without submission to the Rating Agency. At any time (including upon issuance of Additional Bonds), the category assigned to an Agreement or to Additional Pledged Loans may be revised by the Rating Agency.

Of the Agreements submitted to the Rating Agency to date (excluding the 2002 Loan Agreements), $49.0 million have been designated Category I, $42.5 million have been designated Category II and $6.1 million have been designated Category III.

The formula described above may also be summarized as follows (where A = NMFA Portion of Governmental Gross Receipts Tax, B = Assumed Repayments of Loans and Additional Pledged Loans and C = Aggregate Annual Debt Service on all Bonds Outstanding):

$$(A \div 1.35) + B \geq C$$

No Senior Lien Obligation

No additional indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of the Revenues for payment of the Bonds shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds.

Additional Parity Obligations of Governmental Units

For a description of the restrictions, if any, governing the issuance by certain 2002 Governmental Units of additional obligations on a parity with the obligations of the 2002 Governmental Units to make payments under the 2002 Loan Agreements, see "CERTAIN INFORMATION CONCERNING THE GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES" in Appendix D. For a description of the restrictions, if any, governing the issuance by certain other Governmental Units of additional parity obligations, see "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D to the 1995 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENTAL UNITS" in Appendix D to the 1996 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1997 GOVERNMENTAL UNITS" in Appendix D to the 1997 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1999 GOVERNMENTAL UNITS" in Appendix D to the 1999 Official Statement, "CERTAIN INFORMATION CONCERNING THE COUNTY" in Appendix D to the 2000A Official Statement, and "CERTAIN INFORMATION CONCERNING THE 2000B-C GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES" in Appendix D to the 2000B-C Official Statement, each of which is on file with the MSRB.

Outstanding Parity Bonds

The following series of Public Project Revolving Fund Revenue Bonds are currently outstanding.

Series	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of June 1, 2002
1995A	$41,230,000	$29,980,000
1996A	17,625,000	14,155,000
Taxable 1996B	3,500,000	—
1997	8,585,000	7,015,000
1999A	13,135,000	10,735,000
1999B	3,025,000	2,000,000
Taxable 1999C	2,265,000	1,675,000
Taxable 1999D	4,875,000	3,860,000
2000A	4,715,000	3,760,000
2000B	7,670,000	7,085,000
2000C	28,850,000	21,035,000
TOTAL	$135,475,000	$101,300,000

The Series 1995A Bonds, the Series 1996A Bonds, the Taxable Series 1996B Bonds, the Series 1997 Bonds, the Series 1999A Bonds, the Series 1999B Bonds, the Taxable Series 1999C Bonds, the Taxable Series 1999D Bonds, the Series 2000A Bonds, and the Series 2000B-C Bonds are the only Outstanding Parity Bonds of the NMFA (collectively the "Outstanding Parity Bonds"). See "ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE RATIOS" for Debt Service Requirements on the Outstanding Parity Bonds and aggregate payments under Agreements relating to the Bonds. See "THE PLAN OF FINANCING - Governmental Units and the 2002 Projects" for a listing of the ten Governmental Units comprising the highest percentage of estimated annual revenues.

Outstanding Subordinate Debt

Also outstanding are the NMFA's $21,600,000 Court Facilities Fee Revenue Bonds, Series 2001A and $11,400,000 Taxable Court Facilities Fee Revenue Bonds, Series 2001B (collectively, the "Court Facilities Fee Revenue Bonds"), secured by 1) a portion of certain docketing fees and costs imposed and collected by certain courts in the State, certain fees and assessments collected in connection with motor vehicle and other violations, and certain parking fees, rents and other charges collected by the Bernalillo County Metropolitan Court from tenants and users of the parking facility after deduction of certain costs associated therewith which moneys are to be deposited in the Court Facilities Fund and 2) amounts on deposit in the Subordinate Lien PPRF Revenue Fund, created pursuant to the Subordinated General Indenture of Trust and Pledge dated as of August 1, 2001 ("Subordinated General Indenture"), between the NMFA and Bank of Albuquerque, N.A. as the trustee.

The Subordinate Lien PPRF Revenues consists of those monies released to the NMFA from the Revenue Fund created pursuant to the Indenture on June 1 of each year. Pursuant to the Subordinated General Indenture, all such released moneys are to be deposited into the Subordinate Lien PPRF Revenue Fund created by the Subordinated General Indenture and are included in Subordinate Lien PPRF Revenues. Moneys in the Subordinate Lien PPRF Revenue Fund are available to pay on a parity basis debt service on Subordinate PPRF Bonds issued pursuant to the Subordinated General Indenture and on other obligations issued or incurred payable from and constituting a lien upon the Subordinate Lien PPRF Revenues (the "PPRF Secured Obligations"). The Court Facilities Fee Revenue Bonds are PPRF Secured Obligations.

Supplemental Indentures and Amendments to Loan Agreements; Rating Agency Discretion

Pursuant to the Indenture, the NMFA and the Trustee may, without the consent of or notice to any of the Owners of the Bonds, enter into an indenture or indentures supplemental to the Indenture in order to make certain amendments or changes to the Indenture, including any amendment with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds, following such amendment, being lower than the rating on the Bonds immediately prior to such amendment. See "APPENDIX B - EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto.

In addition, the NMFA with the consent of the Trustee and the related Governmental Unit may, without the consent of any Owners of the Bonds, amend any Agreement for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred in the Indenture to the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained in any agreement or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgment of the Trustee shall not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

BOND INSURANCE

The following information has been furnished by MBIA Insurance Corporation (the "Insurer" or "Bond Insurer") for use in this Official Statement. Reference is made to Appendix F for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the NMFA to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2002A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2002A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2002A Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2002A Bonds upon tender by an owner thereof, or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Series 2002A Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Series 2002A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee or any owner of a Series 2002A Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are the due. Upon presentment and surrender of such Series 2002A Bonds or presentment of such other proof of ownership of the Series 2002A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2002A Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Series 2002A Bonds in any legal proceeding related to payment of insured amounts on the Series 2002A Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Trustee payment of the insured amounts due on such Series 2002A Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidy of MBIA, Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against Insurer. The

Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, and changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and the Insurer set forth under this heading. Additionally, the Insurer makes no representation regarding the Series 2002A Bonds or the advisability of investing in the Series 2002A Bonds.

The Insurer's policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The following document filed by the Company with the Securities and Exchange Commission (the "SEC") is incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Series 2002A Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002), are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

As of December 31, 2001, the Insurer had admitted assets of $8.5 billion (audited), total liabilities of $5.6 billion (audited), and total capital and surplus of $2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2002, the Insurer had admitted assets of $8.6 billion (unaudited), total liabilities of $5.7 billion (unaudited), and total capital and surplus of $2.9 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa".

Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., rates the financial strength of the Insurer "AAA".

Fitch Ratings rates the financial strength of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2002A Bonds, and such ratings may be subject to revision or withdrawal at any time by the ratings agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2002A Bonds. The Insurer does not guaranty the market price of the Series 2002A Bonds nor does it guaranty that the ratings on the Series 2002A Bonds will not be revised or withdrawn.

THE PLAN OF FINANCING

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series 2002A Bonds are set forth in the following tables.

[remainder of page intentionally left blank]

Sources and Uses of Funds

SOURCES:	
Series 2002A Bond Par Amount	$55,610,000
Net Original Issue Premium (Discount) on Series 2002A Bonds	(34,684)
TOTAL SOURCES:	$55,575,316
USES:	
NMFA Reimbursement for 2002 Loans(1)	$48,907,516
Deposit to Water and Wastewater Grant Fund(2)	5,000,000
Deposit to Water and Wastewater Planning Fund	1,000,000
Costs of Issuance (3)	667,800
TOTAL USES:	$55,575,316

(1) The Series 2002A Bond Proceeds will be paid to the NMFA to reimburse the Public Project Revolving Fund for advances already made by the NMFA to certain 2002 Governmental Units. Advances made to the Program Fund have been or will be used to pay all or a portion of the costs of the 2002 Projects. See "The 2002 Governmental Units and the 2002 Projects" under this caption and "EXTRACT OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts" in Appendix B hereto.

(2) Of the $5,000,000 of the Series 2002A Bond Proceeds allocated to the Water and Wastewater Grant Fund, $3,733,331 will be paid to the NMFA to reimburse the Public Project Revolving Fund for advances already made by the NMFA to certain Grant Recipients, and $1,266,669 will be paid to the NMFA for grants that have been approved but have not been funded.

(3) Includes legal and accounting fees, printing, rating fees, bond insurance premium, Underwriters' discount and other miscellaneous costs. See "UNDERWRITING" herein.

Governmental Units and the 2002 Projects

2002 Governmental Units

The following table lists the 2002 Governmental Units which received advances from the NMFA out of the Public Project Revolving Fund for the financing of their respective 2002 Projects which advances will be reimbursed, in whole or in part, from the proceeds of the Series 2002A Bonds.

The 2002 Governmental Units and the 2002 Projects

2002 Governmental Unit	2002 Project	Loan Amount (1)
City of Moriarty	Civic Center	$1,964,962
City of Albuquerque	Special Assessment District 225	3,867,500
City of Belen	Wastewater Rehab. Project	1,329,231
City of Gallup	Equipment Project	2,082,222
Energy Minerals and Natural Resources Department	Parks System Cap. Phase V	4,825,403
Eddy County	Courthouse Renovation	4,500,000
City of Albuquerque	Police Helicopter	700,000
Grant County SWA	Solid Waste Facility	703,013
Town of Taos	Wastewater Trans. Lines	950,391
City of Rio Rancho	Special Assessment District 5	3,079,013
Town of Elida	Ambulance	48,300
City of Portales	Land Acq./Water Well	3,570,554
Santa Fe County	Survey Equipment	833,333
City of Truth or Consequences	Vehicle/Equipment	165,000
City of Artesia	Wastewater	1,666,667
Village of Angel Fire	Transfer Station	1,262,548
Village of Loving	Emergency Village Hall Project	48,000
City of Albuquerque	Special Assessment District 222	2,605,539
City of Belen	Road Improvement Project	4,779,793
Doña Ana County	E-911 Equipment	1,132,196
City of Las Cruces	E-911 Equipment	564,220
Town of Springer	Bucket Truck Acquisition	73,000
City of Raton	Electric Generator	2,693,610
City of Albuquerque	Special Assessment District 216	1,314,322
McKinley County	Land Acquisition - Court House Renovation	2,500,000
Group Participants (2)	Fire & Law Enforcement Protection Funds	2,807,235
TOTAL		$50,066,052

(1) Certain 2002 Loan Agreements have Agreement Reserve Funds funded with loan proceeds or equity contributions from the applicable 2002 Governmental Units in the aggregate amount of $2,424,341.

(2) **Group Participants include:** Mountainair; Belen; Carrizozo; Floyd; Mora; Santa Rosa; Melrose; Elida; Colfax County - Angel Fire FD; Tularosa; Portales; Taos Ski Valley; Silver City; Guadalupe County; Catron-Quemado; Catron-Rancho Grande; Colfax-Angel Fire; Sandoval County-La Madera; Chaves County; Lordsburg; Cibola-Cebolleta; Springer; Taos County-Latrir VFD.

Generally

The following table lists the ten Governmental Units comprising the highest percentage of estimated annual Revenues that have entered into Agreements with the NMFA for Projects that have been financed with Bonds. The NMFA has $101,300,000 (as of June 1, 2002) of Parity Bonds outstanding and, upon issuance, will have $55,610,000 of Series 2002A Bonds outstanding.

Currently Outstanding Obligations of the Ten Governmental Units Comprising the Highest Percentage of Estimated Annual Pledged Revenues

Borrower	FY 2002 Debt Service	% of FY 2002 Pledged Revenues	Final Maturity
Energy, Minerals and Natural Resources Department	$1,773,561	5.67%	2021
City of Albuquerque(1)	846,551	2.71%	2012
Eddy County	844,763	2.70%	2007
Valencia County	677,967	2.17%	2009
NW Solid Waste	645,927	2.06%	2018
Roosevelt County	559,869	1.79%	2020
Chaves County	511,746	1.64%	2006
City of Clovis	501,639	1.60%	2013
City of Gallup	480,200	1.53%	2019
City of Las Vegas	423,433	1.35%	2015

(1) In subsequent fiscal years, debt service from the City of Albuquerque is expected to increase to approximately $1.351 million.
**Estimated

Source: Western Financial Group, LLC

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service (excluding any mandatory prior redemption from prepayments on loans) payable for the Series 2002A Bonds for each fiscal year through their final maturity date.

Debt Service for the Series 2002A Bonds

Fiscal Year	Principal(1)	Interest	Annual Debt Service Requirements
2003	$5,215,000	$1,875,685	$7,090,685
2004	5,330,000	1,948,121	7,278,121
2005	5,435,000	1,820,201	7,255,201
2006	5,565,000	1,644,086	7,209,086
2007	5,305,000	1,450,724	6,755,724
2008	4,180,000	1,265,049	5,445,049
2009	4,275,000	1,106,209	5,381,209
2010	2,730,000	935,209	3,665,209
2011	3,760,000	820,549	4,580,549
2012	1,850,000	658,869	2,508,869
2013	1,415,000	577,469	1,992,469
2014	1,290,000	513,794	1,803,794
2015	1,350,000	454,131	1,804,131
2016	1,415,000	390,681	1,805,681
2017	1,025,000	323,469	1,348,469
2018	1,080,000	273,500	1,353,500
2019	1,135,000	219,500	1,354,500
2020	1,195,000	162,750	1,357,750
2021	610,000	103,000	713,000
2022	260,000	72,500	332,500
2023	275,000	59,500	334,500
2024	290,000	45,750	335,750
2025	305,000	31,250	336,250
2026	320,000	16,000	336,000

(1) Payable on June 1 of each year. Includes mandatory sinking fund payments.

Source: Western Financial Group, LLC

The following table shows estimated available Revenues, total debt service requirements for the Series 2002A Bonds and the Outstanding Parity Bonds and the resulting estimated annual coverage ratios. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

Annual Debt Service Requirements and Coverage Ratios

Fiscal Year	Fiscal Year 2000-2001 Collections of NMFA Portion of Gov't Gross Receipts Tax(1)	Aggregate Payments Under Agreements(2)(4)	Additional Pledged Loan Payments(3)	Estimated Total Revenues	Total Debt Service Requirements for the 2002A Bonds	Total Debt Service Requirements for the Outstanding Parity Bonds (6)	Total Debt Service Requirements for the 2002A and the Outstanding Parity Bonds	Estimated Annual Coverage Ratios(5)
2002	$16,405,639	$13,740,982	$6,872,506	$37,019,127		$14,754,281	$14,754,281	2.51
2003	16,405,639	11,346,701	7,082,223	34,834,563	$7,090,685	11,079,336	18,170,021	1.92
2004	16,405,639	11,102,547	7,084,121	34,592,308	7,278,121	10,820,425	18,098,547	1.91
2005	16,405,639	10,503,089	6,718,186	33,626,914	7,255,201	10,220,384	17,475,585	1.92
2006	16,405,639	10,393,144	6,419,223	33,218,005	7,209,086	10,107,005	17,316,092	1.92
2007	16,405,639	10,338,441	5,867,675	32,611,755	6,755,724	10,054,056	16,809,780	1.94
2008	16,405,639	10,282,977	4,498,281	31,186,897	5,445,049	9,993,823	15,438,871	2.02
2009	16,405,639	9,356,440	4,379,643	30,141,722	5,381,209	9,058,934	14,440,143	2.09
2010	16,405,639	8,848,438	4,206,683	29,460,761	3,665,209	8,535,414	12,200,622	2.41
2011	16,405,639	7,917,569	5,005,754	29,328,962	4,580,549	7,619,965	12,200,514	2.40
2012	16,405,639	8,470,737	2,692,405	27,568,781	2,508,869	8,163,494	10,672,363	2.58
2013	16,405,639	6,783,832	2,495,693	25,685,165	1,992,469	6,464,918	8,457,387	3.04
2014	16,405,639	6,156,875	2,495,141	25,057,655	1,803,794	5,850,514	7,654,308	3.27
2015	16,405,639	6,105,287	2,495,679	25,006,605	1,804,131	5,830,982	7,635,113	3.28
2016	16,405,639	4,033,561	2,441,874	22,881,075	1,805,681	4,113,572	5,919,253	3.87
2017	16,405,639	2,681,241	2,030,551	21,117,432	1,348,469	2,702,092	4,050,561	5.21
2018	16,405,639	2,060,186	1,831,993	20,297,818	1,353,500	2,067,851	3,421,351	5.93
2019	16,405,639	1,091,192	1,826,710	19,323,541	1,354,500	1,078,584	2,433,084	7.94
2020	16,405,639	908,458	1,724,546	19,038,643	1,357,750	704,984	2,062,734	9.23
2021	16,405,639	132,722	873,301	17,411,662	713,000	395,365	1,108,365	15.71
2022	16,405,639	0	711,623	17,117,262	332,500	274,840	607,340	28.18
2023	16,405,639	0	501,388	16,907,027	334,500	275,352	609,852	27.72

Fiscal Year	Fiscal Year 2000-2001 Collections of NMFA Portion of Gov't Gross Receipts Tax(1)	Aggregate Payments Under Agreements(2)(4)	Additional Pledged Loan Payments(3)	Estimated Total Revenues	Total Debt Service Requirements for the 2002A Bonds	Total Debt Service Requirements for the Outstanding Parity Bonds (6)	Total Debt Service Requirements for the 2002A and the Outstanding Parity Bonds	Estimated Annual Coverage Ratios(5)
2024	16,405,639	0	500,725	16,906,364	335,750	275,290	611,040	27.67
2025	16,405,639	0	337,396	16,743,035	336,250	274,652	610,902	27.41
2026	16,405,639	0	338,202	16,743,841	336,000	278,440	614,440	27.75

(1) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS-Revenues-The Governmental Gross Receipts Tax." Future collections of the NMFA Portion of the Governmental Gross Receipts Tax are based on fiscal year 2000-2001 collections provided by the NMFA and are subject to change.

(2) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS - Revenues - The Agreements and the Agreement Pledged Revenues." Includes 2002 Loan Agreements and Agreements entered into in connection with the Outstanding Parity Bonds.

(3) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS-Revenues-Additional Pledged Loans." Includes outstanding Additional Pledged Loans.

(4) The City of Santa Fe advance refunded its Loan and will prepay its obligations in full on the optional redemption date in Fiscal Year 2005. The calculations in this column do not include Prepayment of Loan by City of Santa Fe in Fiscal Year 2005.

(5) The Estimated Annual Coverage Ratios are calculated using fiscal year 2000-2001 governmental gross receipts tax collections provided by the NMFA and are subject to change.

(6) Does not include the NMFA's Court Facilities Fee Revenue Bonds.

Source: New Mexico Finance Authority

NEW MEXICO FINANCE AUTHORITY

Generally

The NMFA is a public body politic and corporate and governmental instrumentality of the State. It was created in 1992 pursuant to the New Mexico Finance Authority Act (the "NMFA Act") for the purpose of coordinating the planning and financing of State and local public projects, to provide for long-term planning and assessment of State and local capital needs and to improve cooperation among the executive and legislative branches of State government and local governments in financing public projects. Pursuant to the NMFA Act, the NMFA and its corporate existence shall continue until terminated by law, provided that no such law shall take effect so long as the NMFA has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The NMFA is governed by a board of directors and currently employs seventeen persons.

Powers

Pursuant to the NMFA Act, the NMFA is granted all powers necessary and appropriate to carry out and effectuate its public and corporate purposes, including but not limited to the following powers: to sue or be sued; to adopt, subject to the review and approval of the NMFA oversight committee, such regulations as are necessary and appropriate to implement the provisions of the NMFA Act; to make, enter into and enforce all contracts, agreements and other instruments necessary, convenient or desirable in the exercise of its powers and functions and for the purposes of the NMFA Act; to acquire, construct, hold, improve, mortgage, sell, lease, convey or dispose of real and personal property for its public purposes; to make loans and purchase securities and contract to make loans and purchase securities; to make grants from the Water and Wastewater Project Grant Fund and Water and Wastewater Planning Fund to qualified entities to finance public projects; to procure insurance to secure payment on any loan, lease or purchase payments owed to the NMFA by a qualified entity in such amounts and from such insurers, including the federal government, as it may deem necessary or desirable, and to pay any premiums for such insurance; to fix, revise from time to time, charge and collect fees and other charges in connection with the making of loans and any other services rendered by the NMFA; and to borrow money and to issue bonds.

Organization and Governance

The NMFA's governing body, the Board of Directors of the NMFA, is composed of 12 members, seven of which are ex-officio members designated in the NMFA Act and five of which are appointed by the Governor with the advice and consent of the State senate. The seven designated members include five ex-officio State officials, of which four are cabinet-level secretaries (the secretary of finance and administration, the secretary of economic development, the secretary of energy, minerals and natural resources, and the secretary of environment), and one is a State agency official (the State investment officer), and two are the chief executives of state-wide associations (the executive director of the New Mexico Municipal League and the executive director of the New Mexico Association of Counties). One of the five members appointed by the Governor must be the chief financial officer of a State higher educational institution and the remaining four members appointed by the Governor are members of the public. Each of the appointed members of the NMFA serve staggered four-year terms, so that the term of at least one member expires on January 1 of each year. Vacancies are filled by appointment for the remainder of the unexpired term. Any member is eligible for reappointment.

The NMFA Act also provides for the creation of a legislative oversight committee, whose membership is determined by the State Legislative Council. The oversight committee is required to monitor and oversee the operation of the NMFA, and in that connection it: meets on a regular basis to receive and review reports from the NMFA on implementation of the provisions of the Act and to review and approve regulations proposed for adoption; monitors and provides assistance and advice on the public project financing program of the NMFA; oversees and monitors State and local government capital planning and financing; provides advice and assistance to the NMFA and cooperates with the executive branch of State government and local governments on planning, setting priorities for and financing of State and local capital projects; undertakes an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing State and local government capital financing in the State; and reports its findings and recommendations, including recommended legislation or necessary changes, to the Governor and to each session of the legislature. The report and proposed legislation is required to be made available on or before December 15 each year.

[remainder of page intentionally left blank]

Governing Body and Staff Members

Current members of the Board of Directors of the NMFA, and their respective occupations, are set out below:

Name	Occupation	Term Expires
Phil Archibeck [1]	State Investment Officer, State Investment Council	January 1, 2003
Jon M. Brown [2]	Senior Vice-President, First Bank	January 1, 2004
Danny K. Earp [2]	Chief Financial Officer, Eastern New Mexico University	January 1, 2003
William Fulginiti (Vice-Chairman) [1]	Director, New Mexico Municipal League	not applicable
John García [1]	Secretary, Economic Development Department, State of New Mexico	January 1, 2003
Robert Goodman (Chairman) [2]	Vice-Chairman, Bank of Albuquerque, N.A.	January 1, 2005
Harold G. Field II [1]	Secretary, Department of Finance and Administration, State of New Mexico	January 1, 2003
Peter Maggiore [1]	Secretary, Environment Department, State of New Mexico	January 1, 2003
Sam Montoya [1]	Executive Director, New Mexico Association of Counties	not applicable
Betty Rivera [1]	Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	January 1, 2003
H. Dan Shannon (Secretary) [2]	Executive VP, Business Banking, Wells Fargo Bank New Mexico, N.A.	January 1, 2006
Mary L. Thompson [2]	Realtor	January 1, 2004

(1) Ex-Officio Member.

(2) Appointed by the Governor of the State to four-year term.

Set out below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 2002A Bonds and the administration of the NMFA's financing programs.

Tom K. Pollard, Ph.D., Executive Director. Dr. Pollard has directed the operations of the NMFA since its inception. He previously served for five years as Executive Director of the Texas Bond Review Board (the "Texas Bond Board") from its inception in 1987. The Texas Bond Board, chaired by the Governor of Texas, is responsible for the approval of all state bond issuance. Dr. Pollard directed all research, technical and administrative functions of the Board and analyzed the legal and financial soundness of each bond transaction reviewed by the Texas Bond Board. He also administered the allocation of the State of Texas's $850 million federal private activity bond authorization among Texas bond issuing entities and reported to the bond rating agencies on the fiscal condition of state government and Texas' state-backed loan programs. Before coming to the Texas Bond Board, Dr. Pollard served the Texas State Comptroller as the government's primary forecaster of state economic conditions and state government revenue from all sources. Dr. Pollard received a Ph.D. in economics from the University of Texas in 1980.

Kathy Sylvia, Chief of Program Operations. Ms. Sylvia joined the NMFA in February 1997. Prior to working at the NMFA, Ms. Sylvia was the Telecommunications Policy analyst at the New Mexico Municipal League. She brings with her an extensive knowledge of local governmental auditing, accounting and financial management. Prior to serving at the New Mexico Municipal League, Ms. Sylvia was Chief Financial Officer of the City of Alamogordo, New Mexico. Ms. Sylvia holds a B.S. in Management and Finance from Chaminade University and a Masters in Public Administration from New Mexico State University.

Keith H. Mellor, Controller. Mr. Mellor joined the NMFA in November 1995. Before coming to the NMFA Mr. Mellor was controller for the Los Alamos Credit Union. He brings with him an extensive background in controllership, investment portfolio management, governmental auditing and accounting. His responsibilities include design, implementation, and maintenance of financial controls, reporting systems and investment strategies. Prior to serving at the Los Alamos Credit Union, Mr. Mellor was CFO/Controller for CNS, Inc., a systems engineering and integration firm. Mr. Mellor holds B.S. in accounting from Metro State College, Denver, Colorado. He holds a Certified Public Accountant's license in the State of Colorado.

The NMFA staff provides a full range of services to its borrowers and other parties benefitting from or otherwise interested in the NMFA's financing programs. Those services include loan servicing and program fund administration, financial analysis relating to all aspects of the NMFA's programs, accounting, program marketing and development services, application assistance to borrowers, coordination and assistance with other funding sources, coordination with taxing and regulatory authorities, and coordination with various legislative authorities.

The Public Project Revolving Fund Program

The Public Project Revolving Fund Program of the NMFA is authorized by the NMFA Act and was created to fulfill the duty of the NMFA to develop and administer a program to assist qualified entities, individually or jointly, in financing all types of projects of a long-term capital nature, including but not limited to buildings and furnishings, water systems, water rights, sewerage and waste disposal systems, solid waste disposal systems, land, streets, airports, municipal utilities, parking facilities and capital equipment. To implement the Public Project Revolving Fund Program, the NMFA has been granted the following specific powers: to make loans to qualified entities that establish one or more dedicated sources of revenue to repay the loan from the NMFA; to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the NMFA or pertaining to (i) a loan to a qualified entity, (ii) a grant to a qualified entity, (iii) a purchase or sale of securities individually or on a pooled basis, or (iv) the performance of its duties and execution of any of its powers under the Act; to purchase, hold or sell securities; to charge for its costs and services in review or consideration of a proposed loan to a qualified entity or purchase by the NMFA of securities; in connection with the purchase of any securities, to consider the ability of the qualified entity to secure financing from other sources and the costs of that financing and the particular public project or purpose to be financed or refinanced with the proceeds of the securities to be purchased by the NMFA; and to acquire and hold title to or leasehold interest in real and personal property and to sell, convey or lease that property for the purpose of satisfying a default or enforcing the provisions of a loan agreement.

Other NMFA Programs and Projects

The NMFA participates in several other programs designed to provide financing for equipment and projects to both municipal and state agencies. These projects are funded by various sources and do not have a lien or claim of any type on the Pledged Revenues that secure the Series 2002A Bonds.

Workers' Compensation Administration Building Financing

In 1993 and 1994, the New Mexico Legislature authorized the NMFA to sell a total of $6 million in revenue bonds for the acquisition of land and site improvement, planning, designing, constructing, equipping and furnishing of a state office for the Workers' Compensation Administration ("WCA"). The Legislature also provided that the first forty cents ($.40) of each quarterly four dollar ($4) of Workers' Compensation assessment paid to the State would be pledged to the NMFA for payment of the revenue bonds associated with the WCA project. In July 1995, the NMFA publicly sold $2.5 million of its revenue obligations to provide funds for the acquisition of land and the construction and equipping of an office building in Albuquerque. In July 1996, the NMFA sold $4.31 million in long-term bonds to retire the outstanding bonds and to finance construction of the Workers' Compensation Administration Building.

UNM Cancer Research Center

In 1993, the New Mexico Legislature authorized the NMFA to issue revenue bonds payable from a portion of the net cigarette tax receipts collected by the State and distributed to the NMFA. The NMFA issued such revenue bonds in an aggregate principal amount of $6,000,000 in July 1996. The proceeds of the bonds were used to design, construct, equip and furnish an addition to the University of New Mexico Cancer Center.

Primary Care Capital Fund

In 1994, a $5 million revolving fund was created in the State treasury from which to provide loans and other financial assistance to rural primary care health clinics. The legislation establishing the fund directed NMFA to administer the revolving fund, and to assume responsibility for all financial duties related to the program. The New Mexico Health Department and the NMFA have negotiated a joint powers agreement whereby the Health Department will provide all required health-related services and the NMFA will administer the revolving fund. In September 1994, later amended in April 1998, the NMFA and the Health

Department have adopted and periodically updated program operation rules to govern the financing of the repair, renovation or construction of primary care clinics in underserved areas of the State. The NMFA has funded thirteen loans totaling approximately $5.7 million.

Administrative Office of the Courts Financing

The 1996 and 1999 Legislatures authorized the NMFA to issue revenue bonds in an amount not to exceed $12 million for the purpose of financing acquisition of court automation systems for the State court system and development of statewide appellate automation, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. $8.5 million in bonds were sold in 1996 with an additional $3.5 million in bonds sold in 1999. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the State, and a portion of certain costs and penalty assessments to be collected upon conviction of persons of violating any provision of the Motor Vehicle Code involving the operation of a motor vehicle. The 1996 and 1999 Bonds were defeased on June 1, 2001.

Insurance Department Financing

The 1996 Legislature authorized the NMFA to issue revenue bonds in an amount not to exceed $1.0 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance. The Legislature imposed a three dollar ($3) surcharge on the annual continuation of appointment fees on the approximately 60,000 insurance agents subject to the fees to provide security for the bonds. The NMFA issued $525,000 privately placed bonds in 1996 and an additional $200,000 privately placed bonds in 1999.

Tax and Revenue Information Management Information System ("TRIMS Project")

In 1997 the New Mexico Legislature authorized the NMFA to sell up to $33,709,800 of bonds for the purpose of financing the New Mexico Taxation and Revenue Department (the "NMTRD") information management systems project (the "TRIMS Project"). The TRIMS Project is an integration and updating of on-line, multi-user systems that process taxation, motor vehicle tax and fee collections, revenue distributions and information processing by the NMTRD, which is responsible for collecting revenues for the State, its local governments, and others.

The NMFA sold $17,440,600 of Series 1997A Administrative Fee Revenue Bonds in September 1997. Those bonds are secured by certain administrative fees imposed by the NMTRD on local governments for the services associated with collection of local options gross receipts tax revenues, as well as NMTRD administrative fees imposed in connection with other taxes, fees, and charges. The NMFA entered into an interim loan agreement with the NMTRD in advance of long-term financing of the second issue of TRIMS Project bonds. The NMFA issued the balance of the amount of bonds authorized for the TRIMS Project with the sale of $16.27 million of 1999A Administrative Fee Revenue Bonds in September 1999.

New Mexico State Highway and Transportation Department

On October 2, 1998, the NMFA issued its $100,230,000 Federal Highway Grant Anticipation Revenue Bonds, Series 1998A for the purpose of financing the costs of acquiring, constructing, expanding and improving approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes (the "Corridor 44 Project") by the New Mexico State Highway and Transportation Department ("NMSHTD"). The bonds are payable from the NMFA's rights to payments under a loan agreement between the NMFA and NMSHTD. The obligations of NMSHTD under the loan agreement are payable solely from and secured by a pledge of certain revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented. Subsequent bond issues for the completion of the Corridor 44 Project were issued directly by NMSHTD.

In February 2001, the NMFA issued $18,535,000 in Federal Highway Grant Anticipation Revenue Bonds, Series 2001 for the purposes of financing the design, repair, construction, expansion, reconstruction and improvement of certain public lands highways located in New Mexico. The bonds are solely payable from the NMFA's rights to payments under a Loan Agreement between the NMFA and NMSHTD. The obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a pledged of certain revenues received by or on behalf of NMSHTD pursuant to Chapters 1 and 2 of Title 23 United States Code, Highways, as amended and supplemented.

Drinking Water Program

The New Mexico Drinking Water State Revolving Loan Fund Act (the "Drinking Water Fund Act") was signed into law on April 9, 1997. The Drinking Water Fund Act creates, in the NMFA, the New Mexico Drinking Water State Revolving Loan Fund (DWRLF) which is administered by the NMFA. The NMFA was charged with the establishment, in cooperation with the State of New Mexico Environment Department, of a loan program to provide local authorities with low-cost financial assistance in the construction of drinking water facilities necessary to protect the public health. The passage of the Drinking Water Fund Act was in response to the re-authorization by Congress and the President of the federal Safe Drinking Water Act (SDWA), which required the Environmental Protection Agency (EPA) to make capitalization grants to the states to further the health objectives of the SDWA. Under the re-authorization, capitalization grants will be made to the states over the next seven years.

New Mexico has been awarded a total of $35,101,900 in capitalization grant dollars from the EPA through June, 2001, and has provided a total state match of $7,020,380. The capitalization grant request for FY 2001, in the amount of $7,789,100, is currently being prepared and will be presented to EPA in early 2002.

The NMFA can utilize funds in the DWRLF to make loans to localities for drinking water facility construction, renovation or expansion. For projects with proper legislative approval, these loans can be combined with loans from the Public Project Revolving Fund to leverage the funds in the DWRLF to create a greater dollar volume of loans. To date the NMFA has funded 14 loans totaling approximately $19.1 million.

Bernalillo Metropolitan Court

During the 1998 special legislative session and the 2000 legislative session, the Legislature authorized the NMFA to issue up to $57.9 million in revenue bonds for the purpose of financing the acquisition of real property and the design, construction and equipping of a new court building and an adjacent parking facility for the Bernalillo Metropolitan Court in Albuquerque, New Mexico. The first series of bonds for the Metropolitan Court Project, the Court Facilities Fee Revenue Bonds, were issued on August 16, 2001 in the amount of $33,000,000. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the State, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the Motor Vehicle Code involving the operation of a motor vehicle. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS - Outstanding Subordinate Debt" herein. The NMFA expects to issue $24,900,000 million in subordinate bonds authorized for the Metropolitan Court Project in Calendar Year 2002.

Water and Wastewater Grant Fund Program

The Water and Wastewater Grant Fund ("W/WWGF") was created by the Legislature in 1999 to provide grants to qualified entities for water and wastewater projects. The grants must have specific authorization by statute (except for emergency public projects which cannot exceed $3 million in any fiscal year) and eligibility is based upon an entity's financial condition and the local water or wastewater rates charged by the applicant. In 2000, the Legislature authorized the NMFA to issue up to $5 million in bonds to fund grants for 26 public water and wastewater systems. In 2001, the Legislature appropriated approximately $40 million to the W/WWGF to fund 72 public water and wastewater systems. As of October 31, 2001, the NMFA has funded 66 projects totaling approximately $32.04 million.

Water and Wastewater Planning Fund Program

The Water and Wastewater Planning Fund was created by the Legislature in 2002 to provide grants for qualified entities to evaluate and to estimate the costs of implementing the most feasible alternatives for meeting water and wastewater public project needs. The grants need not have specific authorization by statute. The NMFA is authorized to issue up to $1 million in bonds to fund these grants.

State Office Building Program

The Legislature in 2001 authorized the NMFA to issue bonds in the amount of $75,000,000 to finance four separate projects: (i) purchase, renovate, equip and furnish the National Education Association Building on South Capitol Street in Santa Fe, (ii) plan, design, construct, equip and furnish a new office building with integrated parking at the West Capitol Complex on Cerrillos Road in Santa Fe, (iii) purchase, renovate, equip and furnish the Public Employees Retirement Association Building on Paseo de Peralta in Santa Fe, and (iv) purchase land adjacent to the District 5 Office of the State Highway and Transportation Department on Cerrillos Road in Santa Fe. The bonds are payable from a pledge of a portion of the State's gross receipts tax. In January 2002, the NMFA issued its State Office Building Tax Revenue Bonds, Series 2002A in the amount of $34,695,000 to finance a portion of the authorized projects.

LITIGATION

According to the NMFA, there is no controversy or litigation known to be pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2002A Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any payments which will provide Revenues for the payment of the debt service on the Series 2002A Bonds or in any way contesting or affecting the validity or enforceability of the Series 2002A Bonds, the Indenture, or any proceeding and authority of the NMFA taken with respect to the foregoing. The NMFA will deliver a no-litigation certificate as to the foregoing prior to the issuance of the Series 2002A Bonds.

UNDERWRITING

RBC Dain Rauscher Inc., George K. Baum & Company, Salomon Smith Barney Inc., U.S. Bancorp Piper Jaffray Inc. and Banc of America Securities LLC (collectively, the "Underwriters") agree to purchase the Series 2002A Bonds from the NMFA pursuant to a Bond Purchase Agreement dated May 30, 2002 (the "Bond Purchase Agreement"), at an aggregate price of $55,266,516 (being the aggregate principal amount less a net original issue discount of $34,684 and less an Underwriters' discount of $308,800). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2002A Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 2002A Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 2002A Bonds. The NMFA, the 2002 Governmental Units and the Grant Recipients whose loans or grants are being financed by the issuance of the Series 2002A Bonds have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2002A Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2002A Bonds. Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, has assumed continuing compliance by the NMFA and the 2002 Governmental Units with such requirements and restrictions in rendering its opinion regarding the tax exempt status of interest on the Series 2002A Bonds.

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2002A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

Although said Co-Bond Counsel will render an opinion that interest on the Series 2002A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2002A Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. Said Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2002A Bonds.

The Series 2002A Bonds maturing on June 1, 2005, and bearing interest at the rate of 2.90%, the Series 2002A Bonds maturing June 1, 2007 and 2008 and in the years 2012 through 2026 (collectively, the "Discount Series 2002A Bonds") are offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a Series 2002A Bond accrues periodically over the term of the Discount Series 2002A Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the Discount Series 2002A Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Discount Series 2002A Bonds should consult their tax advisors for an explanation of the accrual rules.

The Series 2002A Bonds maturing on June 1, 2003, maturing on June 1, 2005, and bearing interest at the rate of 4.75%, and maturing on June 1, 2006, and bearing interest in the rate of 4.50% (collectively, the "Premium Series 2002A Bonds"), are offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Premium Series 2002A Bond through reductions in the holders' tax basis in the Premium Series 2002A Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Premium Series 2002A Bond rather than creating a deductible expense or loss. Holders of Premium Series 2002A Bonds should consult their tax advisors for an explanation of the amortization rules.

State of New Mexico Income Tax

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, under laws of the State of New Mexico as currently enacted and construed, interest on the Series 2002A Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2002A Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel to the NMFA, and Ballard Spahr Andrews & Ingersoll, LLP, as Co-Bond Counsel to the NMFA, will deliver the respective opinions included in Appendix E hereto. Certain legal matters relating to the Series 2002A Bonds will be passed upon for the Underwriters by their counsel, Sutin, Thayer & Browne A Professional Corporation. Neither Sutin, Thayer & Browne A Professional Corporation nor either Co-Bond Counsel has participated in any independent verification of the information concerning the financial condition or capabilities of the NMFA or the 2002 Governmental Units contained in this Official Statement.

Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. Certain legal matters relating to the 2002 Governmental Units have been passed upon by Modrall, Sperling, Roehl, Harris & Sisk, P.A.

EXPERTS

The NMFA has retained Western Financial Group, LLC, as financial advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2002A Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Western Financial Group, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

FINANCIAL STATEMENTS

The combined financial statements of the NMFA for the year ended June 30, 2001, included as Appendix A of this Official Statement have been audited by Neff & Ricci, LLP, certified public accountants, Albuquerque, New Mexico, as set forth in their report thereon dated October 5, 2001. Such financial statements represent the most current audited financial information available for the NMFA.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission in connection with the issuance of the Series 2002A Bonds, the NMFA will agree to provide the following information:

(i) to each nationally recognized municipal securities information repository ("NRMSIR"):

(1) annual financial information and operating data as follows:

(a) with respect to the NMFA, information concerning the NMFA Portion of the Governmental Gross Receipts Tax Revenues, such information to be of the type set forth under the table captioned "Governmental Gross Receipts Taxes Collections Fiscal Years 1996-1997 through 2000-2001" under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS - Revenues - The Governmental Gross Receipts Tax" in the Official Statement; and

(b) with respect to any Governmental Unit whose Loan repayment obligations constitute more than 5% of the estimated annual Revenues in any year when the Series 2002A Bonds are outstanding (the "5% test") information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Pledged Revenues, or such shorter period for which such information is available.

and

(2) audited financial statements for the NMFA and any Governmental Unit meeting the 5% test.

Such information will be provided within 270 days of the end of each fiscal year and will be made available, in addition to each NRMSIR, to the Trustee and to each holder of the Series 2002A Bonds who requests such information. In the event that audited financial statements are not available within such time period, unaudited financial statements will be provided;

(ii) in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") and to a State information depository, if any, notice of the occurrence of any of the following events (if applicable) with respect to the Series 2002A Bonds or the Agreements, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Series 2002A Bonds;

(7) modification of rights of security holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Series 2002A Bonds; and

(11) rating changes.

The NMFA may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the NMFA, such other event is material with respect to the Series 2002A Bonds or the Agreements. However, the NMFA does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above; and

(iii) in a timely manner to the MSRB notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The NMFA reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the NMFA; provided that, the NMFA has agreed that any such modification will be done in a manner consistent with the Rule. The NMFA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Owners of the Series 2002A Bonds and shall be enforceable by the Owners; provided that, the right to enforce the provisions of this undertaking are limited to a right to obtain specific enforcement of the NMFA's obligations, and any failure by the NMFA to comply with the provisions of the undertaking shall not be an event of default with respect to the Series 2002A Bonds.

Continuing disclosure undertakings previously entered into by NMFA called for it to file an annual report and audit with respect to the Fiscal Year ended June 30, 1997 no later than 270 days after the end of such fiscal year. In November of 1998, the NMFA discovered that such report and audit had not yet been filed. On November 25, 1998, NMFA notified the MSRB of its failure to file the report and audit and by December 15, 1998, such report and audit had been filed with the NRMSIRs. NMFA believes that it is now in compliance with its continuing disclosure undertakings.

Financial information and operating data for the City of Albuquerque, New Mexico and State Parks Division of the Energy, Minerals and Natural Resources Department of the State, the only Governmental Units which are expected to provide more than 5% of estimated annual Revenues in any year when Bonds will be Outstanding, is set forth in Appendix D hereto.

RATINGS

Moody's Investor's Service, Inc. ("Moody's"), Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of "Aaa," "AAA" and "AAA," respectively, to the Series 2002A Bonds, with the understanding that upon the delivery of the Series 2002A Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2002A Bonds will be issued by MBIA Insurance Corporation. In addition, Moody's, S&P and Fitch have assigned underlying (i.e., without regard to a municipal bond insurance policy) long-term ratings of "A1", "A-", and "AA", respectively, to the Series 2002A Bonds. An explanation of the significance of such ratings may be obtained from Moody's at 99 Church Street, New York, New York 10007, S&P at 55 Water Street, New York, New York 10041, and Fitch at One State Street Plaza, New York, New York 10004.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2002A Bonds and there is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings given to the Series 2002A Bonds may have an adverse effect on the market price of the Series 2002A Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2002A Bonds any proposed revision or withdrawal of the ratings on the Series 2002A Bonds, or to oppose any such proposed revision or withdrawal.

ADDITIONAL INFORMATION

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 409 St. Michael's Drive, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 2002A Bonds.

APPROVAL BY THE NMFA

This Official Statement and its distribution and use by the Underwriters have been duly authorized and approved by the NMFA, and this Official Statement has been executed and delivered on behalf of the NMFA by the Chairman of its Board of Directors and its Executive Director.

NEW MEXICO FINANCE AUTHORITY

By s/ Robert M. Goodman
Robert M. Goodman
Chairman of the Board of Directors

By s/Tom K. Pollard
Tom K. Pollard
Executive Director

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE NMFA
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NEW MEXICO FINANCE AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2001

NEW MEXICO FINANCE AUTHORITY
JUNE 30, 2001

Official Roster

Governing Board

Robert M. Goodman, Chairman
William F. Fulginiti, Vice Chairman
H. Dan Shannon, Secretary
Phil Archibeck
John Garcia
Harold Field
Jennifer Salisbury
Lester Nixon
Mary L. Thompson
Danny Earp
Jon Brown

Executive Director

Tom K. Pollard, Ph.D.

Chief Financial Officer and Controller

Keith H. Mellor

NEFF + RICCI LLP
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Members of the Board of Directors
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM,
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying general purpose financial statements and the combining and individual fund and account group financial statements of the New Mexico Finance Authority (Authority), as of and for the year ended June 30, 2001, as listed in the contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and its nonexpendable trust funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund and account group financial statements of the Authority referred to above present fairly in all material respects, the financial position of each of the individual funds and the account group of the Authority as of June 30, 2001 and the results of its operations for such funds and the cash flows of its proprietary fund type and its nonexpendable trust funds and the cash flows of its proprietary fund type and its nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Board of Directors
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM,
New Mexico State Auditor
Santa Fe, New Mexico

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2001 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Authority, taken as a whole and on the combining and individual fund and account group financial statements. The accompanying other supplementary financial information listed as supplemental schedules in the contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Authority. Additionally, the accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combining and individual fund and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and the account group taken as a whole.

Neff + Ricci LLP

Albuquerque, New Mexico
October 5, 2001

NEW MEXICO FINANCE AUTHORITY
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

ASSETS AND OTHER DEBITS	Proprietary Fund Type - Internal Service	Fiduciary Fund Types - Trust and Agency	Account Group - General Long - term Debt	**Total (Memorandum Only)**
Assets:				
Cash and cash equivalents	$ 4,704,200	$ 83,795,925	$ -	**$ 88,500,125**
Cash and cash equivalents - nonexpendable trusts	-	2,409,980	-	**2,409,980**
Receivables:				
Taxes	136,324	3,321,417	-	**3,457,741**
Interest	12,775	932,038	-	**944,813**
Grant and other	-	355,678	-	**355,678**
Loans, net of allowance	-	251,414,587	-	**251,414,587**
Securities	-	16,325,238	-	**16,325,238**
Due from other funds	3,533	667,260	-	**670,793**
Restricted assets - cash and cash equivalents	1,260,864	145,291,750	-	**146,552,614**
Fixed assets, net	16,805	20,916	-	**37,721**
Deferred issue costs, net	91,225	-	-	**91,225**
Other assets	7,538	-	-	**7,538**
Other debit - amount to be provided for retirement of long-term debt	-	-	4,080,000	**4,080,000**
Total assets and other debits	**$ 6,233,264**	**$ 504,534,789**	**$ 4,080,000**	**$ 514,848,053**
LIABILITIES AND EQUITY				
Liabilities:				
Accounts payable and other liabilities	$ 17,584	$ 815,439	$ -	**$ 833,023**
Accrued payroll, fringe benefits and compensated absences	63,585	7,906	-	**71,491**
Accrued interest payable	15,225	569,562	-	**584,787**
Funds held for others	-	124,007,595	-	**124,007,595**
Due to other state agencies	-	6,763,408	-	**6,763,408**
Due to other funds	-	670,793	-	**670,793**
Bonds payable	3,000,000	269,513,666	-	**272,513,666**
Other long term debt	-	-	4,080,000	**4,080,000**
Total liabilities	3,096,394	402,348,369	4,080,000	**409,524,763**
Equity:				
Retained earnings	3,136,870	-	-	**3,136,870**
Fund balance - Reserved	-	102,186,420	-	**102,186,420**
Total equity	3,136,870	102,186,420	-	**105,323,290**
Total liabilities and equity	**$ 6,233,264**	**$ 504,534,789**	**$ 4,080,000**	**$ 514,848,053**

See Notes to Financial Statements.

NEW MEXICO FINANCE AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2001

	Expendable Trust Funds
Revenues:	
Tax revenue	$ 43,409,087
Grant revenue	40,910,000
Interest	14,361,173
Administrative	426,843
Total revenues	99,107,103
Current expenditures:	
Administrative fee	468,710
Professional services	446,612
Bad debt expense	220,601
Salaries and fringe benefits	153,767
In-state travel	862
Maintenance and repairs	3,763
Operating costs	31,834
Depreciation	2,189
Total current expenditures	1,328,338
Other Expenditures:	
Debt service - interest expense	13,132,069
Grant expense	496,937
Bond issuance costs	741,602
Total other expenditures	14,370,608
Total expenditures	15,698,946
Excess of revenues over expenditures	83,408,157
Other financing sources (uses):	
Transfers to other state agencies	(10,510,169)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	72,897,988
Fund balance - beginning of year	18,192,852
Fund balance - end of year	$ 91,090,840

See Notes to Financial Statements.

NEW MEXICO FINANCE AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN EQUITY - ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type - Internal Service Fund	Nonexpendable Trust Funds	**Total (Memorandum Only)**
Operating Revenues:			
Administrative fees	$ 349,681	$ 3,885	$ **353,566**
Interest income	367,977	457,861	**825,838**
Total operating revenues	717,658	461,746	**1,179,404**
Operating Expenses:			
Salaries and fringe benefits	618,618	121,622	**740,240**
In-state travel	15,084	3,852	**18,936**
Maintenance and repairs	8,960	7,752	**16,712**
Supplies	15,496	-	**15,496**
Contractual services	108,261	79,241	**187,502**
Operating costs	111,176	23,189	**134,365**
Out-of-state travel	8,938	6,580	**15,518**
Depreciation	16,748	28,588	**45,336**
Total operating expenses	903,281	270,824	**1,174,105**
Operating income (loss)	(185,623)	190,922	**5,299**
Non Operating Revenues (Expenses):			
Tax revenue	1,411,974	-	**1,411,974**
Federal grant revenue	-	3,147,171	**3,147,171**
Interest expense	(196,245)	-	**(196,245)**
Bond issue costs and other	6,502	-	**6,502**
Net non operating revenues (expenses)	1,222,231	3,147,171	**4,369,402**
Income before operating transfers	1,036,608	3,338,093	**4,374,701**
Other financing sources (uses):			
Transfers to other state agencies	-	(1,630,888)	**(1,630,888)**
Total other financing uses	-	(1,630,888)	**(1,630,888)**
Net income	1,036,608	1,707,205	**2,743,813**
Fund balance - beginning of year	2,100,262	9,388,375	**11,488,637**
Fund balance - end of year	$ 3,136,870	$ 11,095,580	$ 14,232,450

See Notes to Financial Statements.

NEW MEXICO FINANCE AUTHORITY
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types - Internal Service Fund	Nonexpendable Trust Funds	Total (Memorandum Only)
Cash Flows From Operating Activities:			
Cash paid for employee services	$ (606,342)	$ (129,866)	$ (736,208)
Cash paid to vendors for services	(289,168)	(83,352)	(372,520)
Interest income received	370,427	457,861	828,288
Administrative fees received	349,681	3,885	353,566
Net cash (used) provided by operating activities	(175,402)	248,528	73,126
Cash Flows From Non-Capital Financing Activities:			
Cash paid to subrecipients for services	-	(1,979,713)	(1,979,713)
Federal grant revenue received	-	2,280,733	2,280,733
Cash provided by funds held for others	134,533	1,640,295	1,774,828
Net cash provided by non capital financing activities	134,533	1,941,315	2,075,848
Cash Flows From Capital and Related Financing Activities:			
Loans funded	-	(6,175,783)	(6,175,783)
Loan payments received	-	122,719	122,719
Cash received from federal government for revolving loans	-	1,217,624	1,217,624
Payment of bonds	(600,000)	-	(600,000)
Restricted assets - reserve funds	(55,523)	-	(55,523)
Tax revenue	1,442,209	-	1,442,209
Interest expense	(200,945)	-	(200,945)
Fixed asset purchases	(12,006)	(4,185)	(16,191)
Net cash provided (used) by capital and related financing activities	573,735	(4,839,625)	(4,265,890)
Net increase (decrease) in cash and cash equivalents	532,866	(2,649,782)	(2,116,916)
Cash and cash equivalents - beginning of year	4,171,334	7,839,967	12,011,301
Cash and cash equivalents - end of year	$ 4,704,200	$ 5,190,185	$ 9,894,385
Reconciliation of operating income (loss) to net cash used by operating activities - operating income (loss)	$ (185,623)	$ 190,922	$ 5,299
Adjustments to operating income (loss):			
Depreciation	16,748	28,588	45,336
(Increase) decrease in accrued payroll, fringe benefits and compensated absences	12,276	(8,244)	4,032
Increase (decrease) in accounts payable	(14,664)	37,262	22,598
Decrease in interest receivable	2,450	-	2,450
Increase in due from other funds	(6,589)	-	(6,589)
Net cash (used) provided by operating activities	$ (175,402)	$ 248,528	$ 73,126

See Notes to Financial Statements.

NOTE 1. ORGANIZATION

The Laws of 1992, Chapter 61, as amended, created the New Mexico Finance Authority (Authority). The purpose of the New Mexico Authority Act (Act), is to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperating among the executive and legislative branches of state government and local governments in financing public projects.

The Authority's governing board is composed of twelve members. The State Investment Officer, the Secretary of the Department of Finance and Administration, the Secretary of Economic Development, the Secretary of Energy, Minerals and Natural Resources, the Secretary of the Environment Department, the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties are ex-officio members of the Authority with voting privileges. The Governor, with the advice and consent of Senate, shall appoint to the Authority the chief financial officer of an institution of higher education and four members who are residents of the state. The appointed members serve at the pleasure of the governor.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the state except as specifically provided in the New Mexico Finance Authority Act.

The Act specifically excludes the Authority from the definition of "state agency" or "instrumentality" in any other law of the state unless specifically referred to in the law.

The Attorney General's Opinion dated December 23, 1992, concludes that the Authority is an agency of the state at least for certain purposes. The Opinion subjects the Authority to the Open Meetings Act and concludes that the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Opinion excludes the Authority from other sections of the Per Diem and Mileage Act, the Procurement Code and DFA vouchering requirements.

Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof.

The Authority is a governmental entity in accordance with Governmental Accounting Standard Board Statement No. 14. The Authority is a governmental entity because it was established by statute; its relationship with other governmental entities; the governmental make-up of the Authority's governing board; sources of tax revenue and can issue tax-exempt debt.

NOTE 1. ORGANIZATION (CONTINUED)

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government". The Authority is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Authority are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental fund not recorded directly in those funds.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Authority is responsible for the fair presentation in the general purpose financial statements of financial position, results of operations and cash flows of the proprietary funds and non expendable trust funds in conformity with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB approved Statement 34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This Statement provides for a significant change in financial reporting and is scheduled for a phased implementation. Required implementation for the Authority is the year ended June 30, 2002. The Authority did adopt the provisions of GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* for the year ended June 30, 2001. The adoption of this statement had no impact on fund balances at the beginning of the year. Neff & Ricci LLP prepared the financial statements with assistance provided by the Authority.

The Authority receives sources of tax revenue from other agencies for the purpose of issuing and financing debt. Based on the legislation, bond or joint powers agreements, the Authority determines the appropriate accounting treatment for each financing program. Certain financing programs in which the excess tax revenue received after debt service payments or excess bond proceeds, or interest income earned on the bond

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

proceeds can be used for the Authority's benefit and are accounted for in the internal service fund. Other financing programs are accounted for as expendable trust funds when tax revenue in excess of debt service payments can only be expended for another agency, a specific purpose or have other outside restrictions.

In applying the "susceptible to accrual" concept to intergovernmental and tax revenues pursuant to GASB 33, the Authority recognizes revenue when it is earned under the accrual method. The Authority was unable to reasonably estimate the amount of revenue earned but not received by the Taxation and Revenue Department by the June 30 year-end. As a result, the amount is not included as revenue in the financial statements.

The Authority has the following fund types and account group:

Proprietary Funds. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, in accounting and reporting for its proprietary operations. Proprietary funds include the following fund type:

The internal service fund accounts for operations that provide services to other State of New Mexico departments or agencies or to other local government entities on a cost-reimbursement basis. The internal service fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Fiduciary Funds. These funds account for assets held by the Authority in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Authority under the terms of an agreement.

The expendable trust fund is accounted for in essentially the same manner as a governmental fund type. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers the revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred,

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

except for interest on long-term debt, which is recognized when paid. Also bond premiums and discounts, as well as issuance costs are recognized during the current period. Expendable trust funds account for assets where both the principal and interest may be spent.

The nonexpendable trust funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focuses and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent.

The Governmental Accounting Standards Board (GASB) Codification Section 1500.102 states that long-term obligations "directly related to and expected to be paid from proprietary and trust funds should be included in the accounts of such funds." Accordingly, the Authority has elected to record the debt of such funds to the applicable funds.

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The agency fund is used to account for assets that the Authority holds for others in a agency capacity. The Authority has established a separate agency fund for each of the equipment loan program debt issues.

Account Groups. The general long-term debt account group is used to account for general long-term debt that are not specific liabilities of proprietary or trust funds.

Programs and Funds. The following describes the nature of the programs and funds maintained by the Authority:

Internal Service Fund.

State Building Program-Cigarette Tax. This accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico cigarette taxes, for the purpose of financing building projects in New Mexico. Section 7-1-6.11, NMSA, 1978 Compilation provides for a distribution to the Authority of seven and one-eighth percent of the net receipts attributable to the cigarette tax with the first distribution made as of August 1, 1993. The cigarette tax monies are to be used by the Authority to finance the construction of a cancer research center and sell revenue bonds in compliance with the New Mexico Finance Authority Act in an amount not exceeding six million dollars ($6,000,000) for the purpose of designing, constructing, equipping and furnishing an addition to the Cancer Center at the University of New Mexico. The parties have entered into a Joint Powers Agreement to accomplish this purpose. The bonds were issued on July 11,

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1996. The cigarette tax proceeds distributed to the New Mexico Finance Authority pursuant to Section 7-1-6.11 NMSA 1978 are appropriated to the Authority to be pledged irrevocably for the payment of the principal or interest on the bonds or any payments for refunding or redemption premiums on the bonds and for payment of the costs incurred by the Authority related to authorization, issuance and sale of the bonds.

The Laws of 1993, Chapter 358, authorizes funds in the State Building Program-Cigarette Tax, in excess of the amount necessary for payment of principal and interest on outstanding bonds and necessary reserves or sinking funds, to be transferred to any other account of the Authority as needed for purposes of the New Mexico Finance Authority Act. Also, the joint power agreement in effect as of June 30, 2001, states that all and any interest income and surplus bond proceeds will remain with the Authority.

Expendable Trust Funds.

State Building Programs-Workers' Compensation Assessment. This accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico workers' compensation assessments for the purpose of financing an office building for the Workers' Compensation Administration.

The Laws of 1993, Chapter 367, Section 73, effective April 8, 1993, as amended by Laws of 1994, Chapter 91, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $3,500,000 for planning, designing, constructing, equipping and furnishing a state office building for the Workers' Compensation Administration that complies with the American with Disabilities Act of 1990. The 1994 amendment authorized the Authority to issue and sell additional revenue bonds in an amount not to exceed $2,500,000 when the property control division of the General Services Department certifies the need for issuance of the bonds. The bond proceeds are for acquiring land and making site improvements for the aforementioned state building. The parties have entered into a joint powers agreement to accomplish this purpose. $4,310,000 of bonds were issued during July 1996. The first $.40 of the workers' compensation assessment imposed pursuant to Section 52-5-19, NMSA, 1978 is distributed to the Authority and is appropriated to be pledged irrevocable for payment of principal, interest, any premium and expenses related to the issuance and sale of the bonds. Revenue distributed to the Authority shall be deposited in a special bond fund or account and any money distributed to the Authority shall be deposited in a special bond fund or account and any money remaining in he fund at the end of each calendar quarter, after all current obligations and any sinking fund requirements are

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

met shall be transferred to the workers' compensation administration fund upon request. Also, according to the joint powers agreement in effect, any surplus bond proceeds and interest will be used for the project.

Upon payment of all principal and interest and any other obligations or expenses related to issuance of the bonds, the Authority shall certify to the Taxation and Revenue Department that all obligations have been fully discharged and direct the Department to cease payments of workers' compensation assessment fee revenue to the Authority.

Public Projects Revolving Fund. This fund is used to account for governmental gross receipts tax (GGRT) proceeds received under the Laws of 1994, Chapter 145, Section 1. The Authority receives an amount equal to seventy-five percent of the net receipts attributable to GGRT pursuant to Section 7-1-6.1, NMSA 1978.

Of the GGRT revenues directed to the Authority's Public Project Revolving Fund, which are not used to pay debt service on PPRF obligations, an aggregate amount not to exceed thirty-five percent shall be available for appropriation by the Legislature to the following funds for local infrastructure financing: the water and wastewater grant project grant fund, the wastewater facility construction loan fund, the rural infrastructure revolving loan fund, the solid waste facility grant fund, and the drinking water state revolving loan fund. The remaining GGRT revenue deposited may be granted or loaned directly by the Authority to qualified entities or "leveraged" by pledging the revenue stream to the issuance of bonds and granting, or lending, the bond proceeds. All projects to be financed must be approved by the Legislature.

Court Automation Financing Program. The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount not to exceed $8.5 million for the purpose of financing acquisition of court automation systems for the state court system, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. $8.5 million of court automation fee revenue bonds were issued on June 25, 1996. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the state, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the motor vehicle code involving the operation of a motor vehicle. The pledged revenues are paid to the Authority. Pledged revenues in excess of debt service and related expenditures may be appropriated by the Legislature to the Administrative Office of the Courts for the acquisition of court automation systems. The Bond was defeased during 2001.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance Department Financing Program. The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount no to exceed $1 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance. The Legislature imposed a three dollar ($3.00) surcharge on the annual continuation of appointment fees on approximately 60,000 insurance agents subject to the fees to provide security for the bonds. On April 18, 1996, the New Mexico Insurance Department requested the Authority to issue $525,000 of the authorized bonds for acquiring information and communication equipment. The bonds were privately placed in a transaction that closed on May 23, 1996, and the proceeds were transferred to the New Mexico Department of Insurance. The pledged revenues are paid to the Authority. Pledged revenue in excess of debt service and related expenditures may be appropriated by the Legislature to the Department of Insurance for the acquisition of information and communication equipment.

Administrative Fee Revenue Program (TRIMS Project). Chapter 125, Laws of New Mexico 1997 was enacted to authorize the Authority to sell up to $33,709,800 of bonds for the purpose of financing the New Mexico Taxation and Revenue Department (NMTRD) information management systems project (TRIMS Project). The TRIMS Project is an integration and updating of on-line, multi-user systems that process taxation, motor vehicle tax and fee collections, revenue distributions and information processing by the NMTRD. Revenue from NMTRD's administrative fees are pledged to repay the bonds. The Authority issued $17,440,660 of Administrative Fee Revenue Bonds Series 1997A in September 1997. The Authority issued the remaining $16,269,140 Administrative Fee Revenue Bonds Series 1999A in September 1999.

Highway 44 Financing Fund. Series 1998A Bonds were issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMSA 1978, as amended, and the Indenture. The Series 1998A Bonds were issued by the Authority to finance the cost of an infrastructure project, which includes the acquisition, construction, expansion and improvement of approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes by the New Mexico Highway and Transportation Department (NMSHTD), and are payable solely from the NMFA's rights to payments under a Loan Agreement between the NMFA and NMSHTD. $100,230,000 of Federal Highway Grant Anticipation Revenue Bonds were issued on September 1, 1998. The Obligations of NMSHTD under the Loan Agreement are payable solely

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

from and secured by a revenue pledge, which consists of certain revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

State Capitol Improvement Financing Fund. The laws of 1997, Chapter 178, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $10,155,000 for the purpose of repairing, remodeling, constructing and equipping a State building located adjacent to the state capitol in Santa Fe known as the New Mexico state library and for relocation-associated renovations in the state capitol. $510,000 of revenue bonds were issued on May 17, 1999, and $8,805,000 of revenue bonds were issued on June 1, 1999, for a total outstanding of $9,315,000. Monthly, all income and distributions creditable to the capitol buildings repair fund shall be distributed by the State Treasurer to the Authority and are appropriated to the Authority to be pledged irrevocable for the payment of the bonds.

Metro Court Financing Fund. The laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. As of June 30, 2001, bonds have not been issued. However, as a subsequent event (Note 16), the bonds were issued on August 1, 2001. On April 13, 1999, the Bernalillo County Metropolitan Court entered into an interim loan agreement with the Authority in the amount of $5,000,000 for the purpose of providing interim financing for any project approved or funded by the Legislature prior to issuance of revenue bonds. The loan was repaid on May 7, 2001. The pledged revenues for the project consist of a portion of the docketing fees and costs collected by various courts of the state, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the motor vehicle code involving the operation of a motor vehicle.

Water and Wastewater Project Grant Fund. This fund was created with the passage of Senate Bill 662 during the 1999 Legislative Session. This grant fund is to use the net proceeds of the sale of bonds, pursuant to the provisions of Section 6-21-6.1 NMSA 1978, for the purposes of water and wastewater projects and payable from the public project revolving fund. Money in the water and wastewater project grant fund is appropriated to the Authority to make grants to qualified entities for water and wastewater public projects pursuant to special authorization by law for each project and to pay administrative costs of the water and wastewater project grant program. The Laws of 2001, Chapter 345, appropriated $40,910,000 for expenditure in fiscal year 2001 and subsequent fiscal years. Included in this appropriation is $1,255,433 as

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

set-aside for emergency projects. Any unexpended or unencumbered balance remaining at the end of the fiscal year shall not revert to the State's general fund. There was no sale of bonds made for this program for the year ended June 30, 2001.

Forest Highway Forest Road Financing Fund. Series 2001 Bonds were issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMSA 1978, as amended, and the Indenture. The Series 2001 Bonds were issued to finance the cost of an infrastructure project, which includes the design, reconstruction, expansion and improvement of all or parts of U.S. Highway 70 (Forest Highway 34), U.S. Highway 64 (Forest Highway 9), New Mexico Highway 126 (Forest Highway 12) and New Mexico Highway 12 (Forest Highway 21) to the extent for funding as part of the Federal Lands Highway Program and the New Mexico Statewide Transportation Improvement Program by the New Mexico State Highway and Transportation Department ("NMSHTD"). The Series 2001 Bonds are payable Solely from certain of the NMFA's rights to payments under a Loan Agreement (the "Series 2001 Loan Agreement") between the NMFA and NMSHTD. The obligations of NMSHTD under the Series 2001 Loan Agreement are payable solely from and secured by a pledge of the "Pledge Revenues," which consist of certain revenues received by or on behalf of NMSHTD pursuant to Chapters 1 and 20 of Title 12, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

Nonexpendable Trust Funds

Primary Care Capital Fund. The Laws of 1994, Chapter 62, created the Primary Care Capital Fund to provide funding for capital projects to eligible entities in order to increase health care services in rural and other health care under served areas in the state. The revolving fund, to be administered by the Authority, shall consist of appropriations, loan repayments, gifts, grants, donations and interest earned on investment of the fund. Money in the fund shall not revert at any fiscal year end. The State of New Mexico Department of Health, and the Authority administer the loan programs and contracts for services established pursuant to the Primary Care Capital Funding Act. The Department of Health, in conjunction with the Authority, shall adopt regulations to administer and implement the Act. Laws of 1994, Chapter 147, appropriated $5,000,000 for the Primary Care Capital Fund for rural primary care capital funding. Laws of 1994, Chapter 6, appropriated $95,000 to the Department of Health to contract with the Authority for assistance to the Department and administration of the Primary Care Capital Fund.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Mexico Drinking Water State Revolving Loan Fund. The New Mexico Drinking Water State Revolving Loan Fund Act (Act) creates the New Mexico Drinking Water State Revolving Loan Fund (DWRLF), which is administered by the Authority.

The Authority is charged with establishing, in cooperation with the New Mexico Environment Department, a loan program to provide local authorities with low-cost financial assistance in the construction of necessary drinking water facilities.

Money deposited into the DWRLF may be used: 1) to make loans at or below the market rate for eligible purposes for terms no longer than twenty years after completion of construction (loans for disadvantaged communities are the exception and may be for terms up to thirty years); 2) to buy or refinance a municipality's debt obligation, if combined with a new project, if the debt was incurred after July 1, 1993; 3) to guarantee or buy insurance for a local obligation to improve credit access or market rates; 4) as a source of revenue of security for the payment of principal and interest on revenue or general obligation bonds issued by the State, if the proceeds will be deposited in the DWRLF; and, 5) to earn interest on the amounts deposited into the DWRLF. The Act states further that grants from the federal government or its agencies, allotted to New Mexico for capitalization of the DWRLF, shall be directly deposited into the DWRLF and the Authority shall maintain full authority for the operation of the DWRLF, in accordance with applicable federal and state law.

State matching funds were appropriated with the passage of House Bill 1277, (Laws 1997, Chapter 170) by the 1997 Legislature. House Bill 1277 appropriated \$2,551,960 from the PPRF to the DWRLF. During 1999 the \$2,551,960 was accounted for as grant expense in the PPRF and as grant revenue in the DWRLF.

Agency Fund

Equipment Loan Program. The Authority has established an equipment loan program under the Authority's legislation to assist local government entities in the financing and purchase of equipment. The Authority has issued the following Pooled Equipment Certificates of Participation. In October 1994, the Authority issued \$646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were loaned to ten local governments in the state. On August 29, 1995, NMFA issued \$4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A, the proceeds of which were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued \$2,904,000 aggregate principal amount of its Equipment Program Certificates of Participation, Series 1995B, the net

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

proceeds of which were loaned to the City of Las Cruces. On December 3, 1996, the Authority issued $1,820,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation Series 1996B, the proceeds of which were loaned to various governmental entities in the state.

The loans are assigned to a trustee by the Authority and the only sources of repayment are various sources of local government revenues secured by intercept agreements and paid to the trustee. Theses certificates are not an obligation of the Authority. The funds are maintained by the trustees and are held in the Authority's and the local entity's names. Accordingly, these funds are accounted for as agency funds in the financial statements. The certificates of participation meet the criteria of conduit debt obligations. The Authority has decided to record the debt to the general long-term debt account group because of their oversight responsibilities.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer, Wells Fargo and with banks acting as bond trustees. Cash in the various programs on deposit with the State Treasurer are invested by the New Mexico State Treasurer in the "overnight" repurchase program.

Interest is credited to the various programs based on the programs average monthly balance. Average monthly interest rates are also used in determining the interest to be credited to the various programs. In general, state statues require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Separate financial statements of the State Treasurer indicate collateral, categories of risk and market value of purchased investments which may differ from the cash deposited by the Authority. Funds held by the banks and the Authority acting as trustees are invested in money market accounts that invest in United States Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. State law requires that repurchase agreements be secured by collateral with a market value greater then 102 percent of the value of the agreement.

Money in all funds of the Authority may be deposited with the State Treasurer for short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico or any political subdivision of the State or as otherwise provided by the trust indenture or bond resolution, if funds are pledged for or secure payment of bonds issued by the Authority.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities. The Authority has purchased State of New Mexico Department of Energy, Minerals and Natural Resources, Jemez Springs, and New Mexico Interstate Stream Commission bonds which are recorded at cost which approximates market value.

Loans. Loans are stated at their principal amount. Interest on loans is accrued for based on the daily principal balance outstanding except when a loan has been past due for 90 days. All significant loans are to governmental entities secured by tax revenue or are loaned to other entities, which are repaying the loans in accordance with their loan agreements. There are no loans past due for more than 90 days at the end of the fiscal year, which would be required to be placed on nonaccrual status.

Allowance for Loan Losses. The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors; including collateral value, past loan loss experience, current facts, and economic conditions. The allowance is based on management's estimates and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and, any necessary adjustments are reported in income in the period they become known.

Property, Furniture and Equipment. Property, furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment purchases with useful lives over one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets which range from 3 to 7 years. In addition, furniture and equipment with lives of one year or less, and maintenance and repairs, which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

Income Taxes. The Authority is a tax exempt, quasi-governmental organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Authority is subject to other Internal Revenue Code sections relating to the tax-exempt status of the bonds issued by the Authority.

Accrued Compensated Absences Payable. Full-time employees are entitled to ten days annual leave with four years or less employment with the Authority. Employees with more than four years receive fifteen days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination.

Full-time employees are entitled to twelve days of sick leave each fiscal year. Part-time employees accrue annual leave and sick leave on a prorated basis based on the number of hours they work. A full-time employee may receive cash payment at a rate of fifty percent of their hourly wage for any accrued sick leave in excess of forty hours up to a

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

maximum of one hundred twenty hours on the first full pay period in July. An employee may accrue a maximum of 1,040 hours. Accumulated sick leave is not compensated on termination of employment unless the employees retire. Then the employee can be paid for accrued sick leave in the excess of 600 hours at fifty percent of their hourly wage rate, not to exceed 440 hours. Accrued compensated absences are recorded in the internal service fund.

Budgets and Budgetary Accounting. The Authority prepares a budget for the operations program of the internal service fund and for the DWRLF. Theses budgets are approved by the Authority's board but are not legally binding. The budgets are also amended by the Authority's board. The budgets are prepared on a non-GAAP basis. The differences between the accounting on a budgetary basis and GAAP basis are that capital outlay is a budgetary expenditure and depreciation expense is not a budgetary expenditure.

Restricted Assets. Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or legislation. The cash and cash equivalents held for others by trustees have the following restricted assets. The "debt service and bond reserve" accounts are used to report resources held by trustee and set aside for future debt service payments. The "program-grant proceeds" account is used to report those proceeds of bond issuances that were issued to financial a grant to another state agency. The "program-bond proceeds" account is used to report those proceeds of bond issues that were loaned to other governmental entities, which the borrowers have not yet expended. The "cash and cash equivalents held for others by the Authority" account is used to segregate bond proceeds that will be used for specific purposes as required by legislation. "Cash and cash equivalent pledged for repayment of bonds and bond expenses held by trustee" is used to report funds set aside for debt repayment, bond issuance, and other costs by the Authority.

Cash Flows. For purposes of the Statement of Cash Flows, the various funds consider all highly liquid assets (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond Discounts, Premiums and Issuance Costs. In governmental fund types, bond discounts, premiums and issuance costs are recognized in the current period. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity. The internal service fund unreserved retained earnings (deficit) represents the cumulative excess of revenues (expenses) over operating expenses (revenues). Reserves represent those portions of fund equity appropriated or legally segregated for a specific future use. Expendable trust fund balances are reserved based on the language in the trust agreements which require the bond proceeds be used for the specific purposes of the fund. Nonexpendable trust fund balances are reserved based on the language in enabling legislation which require the proceeds from both the state and federal grants be used for the specified purpose.

Included in the reserves of the Public Project Revolving Loan Fund is a reserve in the amount of $4 million for the purpose of making a grant to the New Mexico School of Law pursuant to the Laws of 1998, Chapter 17, Section 1. Subsequently, the Board of Directors allocated $2,000,000 of the cigarette tax fund cash for this purpose.

Use of Estimates. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statement and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund and Interagency Transactions. Interfund and Interagency Transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other Interfund transactions, except reimbursements and administrative fee transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Interagency transfers are recorded as operating transfers in (out) to other state agency under the other financing sources (uses) category.

Totals (Memorandum Only) Columns. Totals columns in the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

NOTE 3. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE

Funds held for other and short-term investments are held at the trustees in the name of the applicable government entity and the Authority's. The following is a reconciliation of cash and cash equivalents and funds held for others to the financial statements.

Cash and cash equivalents:	
State Treasurer cash account (#879-385-04)	$ 1,361,738
State Treasurer Local Government Investment Pool	94,770,642
Money market accounts invested in American Performance U.S. Treasury Fund	28,755,934
Repurchase agreements	112,515,113
Wells Fargo bank accounts	59,292
	$ 237,462,719

The Authority's deposits are categorized to give an indication of the level of risk assumed by the Authority at year end. Category 1 includes deposits that are insured. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 represents deposits that are required by state statutes to be collateralized at a minimum level of 50 percent. All of the Authority's bank accounts are invested in repurchase agreements. Deposits with the State Treasurer are not required to be categorized.

	Category			Bank	Book
	1	2	3	Balance	Balance
Bank repurchase agreements	$ -	119,062	-	119,062	59,292

The New Mexico State Treasurer's Office is responsible to ensure that all account held by any bank for all State governmental entities have collateral at the required level for amount in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Authority.

NOTE 3. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE (CONTINUED)

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured or unregistered investments, or for which securities are held by the counter party's trust department or agent in the Authority's name. The Authority does not have any Category 2 investments. Category 3 represents uninsured and unregistered investments, not held in the Authority's name. The Authority does not have Category 3 investments. The fair value of the Authority's investments approximates market at June 30, 2001.

Funds held for others by trustees represent funds held by financial institutions as trustees and paying agents for the Authority for its various bond issues. The source of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts which invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations. The Authority's investments are held by financial institutions in the Authority's name.

NOTE 4. LOANS RECEIVABLE

Loan receivable balances consist of the following at June 30, 2001:

Entity	Loan Balance
Expendable trust funds	
Public Project Revolving Loan Fund	$ 123,361,161
Less:	
Allowance for loan losses	(411,804)
	122,949,357
Highway 44 Financing Fund	100,230,000
Highway 2001 Financing Fund	18,771,445
	241,950,802
Nonexpendable trust funds	
Primary Care Capital Fund	5,479,732
Drinking Water State Revolving Loan Fund	3,984,053
	9,463,785
	$ 251,414,587

NOTE 4. LOANS RECEIVABLE (CONTINUED)

Public Project Revolving Loan Fund

The Public Projects Revolving Fund loans receivable balance at June 30, 2001, is $123,361,161 and consists of loans made to various entities. The only entity with a balance greater than ten percent is the City of Santa Fe (defeased through the City of Santa Fe) (12 percent).

Terms for the Public Project Revolving Loans vary with interest rates ranging from 3 percent to 6 percent. The following is a summary of future loan principal and interest to be collected based on the loan repayment schedules after year-end:

	Principal	Interest	Total
July 1, 2001 to June 30, 2006	$ 40,042,976	22,857,105	62,900,081
July 1, 2006 to June 30, 2011	38,479,553	17,074,048	55,553,601
July 1, 2011 to maturity in 2030	44,838,632	12,846,962	57,685,594
	$ 123,361,161	52,778,115	176,139,276

An analysis for the allowance for loan losses is as follows:

Balance, beginning of year	$ 191,203
Provision for loan losses	220,601
Balance, end of year	$ 411,804

Management considers non-accrual loans to be impaired. As of June 30, 2001 there are no non-accrual loans. Based on management's analysis, there are no other impaired loans as of June 30, 2001.

Highway 44 Financing Fund

The Highway 44 Financing Fund consists of one loan receivable with the New Mexico State Highway Department for $100,230,000 at June 30, 2001. Terms for the loan include an interest rate of 5.04 percent. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year end.

	Principal	Interest	Total
July 1, 2001 to June 30, 2006	$ 26,365,000	20,694,935	47,059,935
July 1, 2006 to June 30, 2011	32,505,000	14,341,159	46,846,159
July 1, 2011 to maturity in 2015	41,360,000	5,212,313	46,572,313
	$ 100,230,000	40,248,407	140,478,407

NOTE 4. LOANS RECEIVABLE (CONTINUED)

No allowance for uncollectible loans has been established as the State Highway Department is current on their payments and loan repayments are secured by applicable sources of tax revenues.

Highway 2001 Financing Fund. The Highway 2001 Financing Fund consists of one loan receivable with the New Mexico State Highway Department for $18,771,445 at June 30, 2001. Terms for the loan include an interest rate of 4.697 percent. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year end:

	Principal	Interest	Total
July 1, 2001 to June 30, 2006	$ 5,855,000	4,003,319	9,858,319
July 1, 2006 to June 30, 2011	10,305,000	1,896,975	12,201,975
July 1, 2011 to maturity in 2011	2,611,445	57,410	2,668,855
	$ 18,771,445	5,957,704	24,729,149

Primary Care Capital Fund. Terms for each loan vary with interest rates at 3 percent. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year end.

	Principal	Interest	Total
July 1, 2001 to June 30, 2006	$ 1,620,513	705,251	2,325,764
July 1, 2006 to June 30, 2011	1,934,163	453,466	2,387,629
July 1, 2011 to maturity in 2014	1,925,056	155,130	2,080,186
	$ 5,479,732	1,313,847	6,793,579

No allowance for uncollectible loans has been established as the primary care facilities and loan repayments are secured by applicable sources of pledged receivables.

Drinking Water State Revolving Loan Fund. Terms for the Drinking Water State Revolving Loans vary with interest rates ranging from 0 percent to 3 percent. The following is a summary of future loan principal and interest to be collected based on the loan repayment schedules after year end:

	Principal	Interest	Total
July 1, 2001 to June 30, 2006	$ 856,643	387,869	1,244,512
July 1, 2006 to June 30, 2011	958,079	296,654	1,254,733
July 1, 2011 to maturity in 2031	2,169,331	260,808	2,430,139
	$ 3,984,053	945,331	4,929,384

No allowance for uncollectible loans has been established as the Drinking Water Loans are secured by applicable sources of pledged receivables.

NOTE 5. SECURITIES

At June 30, 2001, securities for the Public Projects Revolving Fund (PPRF) consisted of $14,763,791 Department of Energy, Minerals, and Natural Resources Bonds (Series 1995A, 1995B, 1996A, 1996B, 1997A, 1997B, 1998A, and 1998B). $47,898 of Jemez Springs Bonds and $1,513,549 of Interstate Stream Commission Bonds (Series 1998). The Department of Energy, Minerals, and Natural Resource Bonds have interest rates ranging from 3 percent to 5.95 percent with final maturity on June 1, 2017. The Jemez Springs Bonds have interest rates ranging from 4.20 percent to 5.45 percent with a final maturity on May 1, 2012. The New Mexico Interstate Stream Commission Bonds have interest rates ranging from 5.92 percent to 6.19 percent with final maturity on May 1, 2008. The securities are carried at cost which approximates market value.

The following is a summary of future maturity and interest to be collected based on contractual maturity of the securities after year-end.

	Principal	Interest	Total
July 1, 2001 to June 30, 2006	$ 4,627,854	3,743,075	8,370,929
July 1, 2006 to June 30, 2011	5,051,330	2,508,983	7,560,313
July 1, 2011 to maturity in 2018	6,646,054	1,240,778	7,886,832
	$ 16,325,238	7,492,836	23,818,074

NOTE 6. DUE FROM/TO OTHER FUNDS AND TRANSFERS

Due from and due to other funds as reported in the combined balance sheet as of June 30, 2001 are as follows:

	Due From	Due To
Internal service fund	$ 3,533	-
Expendable trust funds:		
Public Projects Revolving Fund	667,260	2,077
Water and Wastewater Grant Fund	-	668,716
	$ 670,793	670,793

The transfers between funds for the year ended June 30, 2001 consisted of a transfer from the Cigarette Tax Fund to the Operations Fund to fund the operations of the Authority in the amount of $416,741.

NOTE 7. DUE TO OTHER STATE AGENCIES, GRANTS AND TRANSFERS

During the 1996 fiscal year, the Authority granted the State of New Mexico Environment Department (Environment) $9,000,000 from the bond proceeds of the Public Project Revolving Fund Series 1995A and 1995B bonds, and during the 1997 fiscal year, the Authority granted $16,000,000 from the bond proceeds of the Public Project Revolving Fund Series 1996A and B bonds issued under the Authority's legislation and joint powers agreement with Environment. The Environment grant bond proceeds and interest income earned totaling $22,802,914 are accounted for in the Public Project Revolving Fund balance sheet under restricted assets as cash and cash equivalents held for state agency and due to state agencies.

The following expendable trusts transferred these amounts from the applicable bond proceeds to these entities for the year ended June 30, 2001:

Insurance Department Financing Fund transferred $400,000 in order to rebate excess debt service funds back to the entity.

Court Automation Financing Fund transferred $3,124,004 in order to defease all project related bonds outstanding as of June 30, 2001.

The Administrative Fee Revenue Program Fund transferred $4,269,000 to the trustee for debt service payments.

Metro Court Financing Fund transferred $8,681,849 to the Metro Court Administrator as a rebate of excess debt service funds.

State Capitol Improvement Fund transferred $301,324 to General Services Department as a rebate for excess debt service funds.

NOTE 8. FIXED ASSETS

Fixed assets are accounted for at cost in the internal service fund, Public Projects Revolving Funds, and the DWRLF at June 30, 2001 and consist of the following:

	Internal Service Fund	Public Projects Revolving Fund	Water and Waste Water Grant Fund	DWRLF
Furniture, fixtures and equipment	$ 118,404	11,696	4,701	102,359
Less accumulated depreciation	(101,599)	(6,690)	(189)	(90,961)
Net fixed assets	$ 16,805	5,006	4,512	11,398

Depreciation expense was $16,748 in the internal service fund, $2,003 in the Public Projects Revolving Fund, $186 in the Water and Waste Water Grant Fund and $28,588 in the DWRLF for the year ended June 30, 2001.

NOTE 9. BONDS PAYABLE

Bonds outstanding as of June 30, 2001, for the Authority's internal service fund consists of:

Special Cigarette Tax Revenue Bonds. In July 1996, the Authority sold $6,000,000 of Special Cigarette Tax Revenue Bonds as part of the internal service fund cigarette tax program. The purpose of the bonds are for the designing, constructing, equipping and furnishing an addition to the University of New Mexico Cancer Center. The bonds are secured by the Authority's cigarette tax revenue.

Bonds outstanding as of June 30, 2001, for the Authority's expendable trust funds consist of the following:

Workers' Compensation Financing Fund. In July 1996, the Authority sold $4,310,000 of New Mexico Finance Authority Workers' Compensation Administration Building Revenue Bonds Series 1996. The proceeds are for the acquisition of land and construction of an office building for the Workers' Compensation Administration. The bonds are solely payable from the revenues derived from the first $.40 of the quarterly workers' compensation assessment paid to the Authority.

NOTE 9. BONDS PAYABLE (CONTINUED)

Public Projects Revolving Funds.

Series 1995A and 1995B. In July 1995, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1995A and Taxable Series 1995B in the aggregate principal amounts of $41,230,000 and $4,000,000, respectively.

Series 1996A and 1996B. In September 1996, the Authority issued its Public Project Revolving Fund, Series 1996A and 1996B in the aggregate principal amounts of $17,625,000 and $3,500,000, respectively. The proceeds of such bonds were used to make loans to numerous governmental entities and to purchase bonds from the Department of Energy, Minerals and Natural Resources. A portion of the proceeds of such bonds were used to make a $9,000,000 grant in 1996 and a $16,000,000 grant in 1998 to the Environment Department in exchange for a pledge of the Environment Department's share of certain moneys to the Authority to repay all outstanding public project revolving fund bonds.

Series 1997A. On December 1, 1997, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1997A in the aggregate principal amount of $8,585,000. The Series 1997A Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1998 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1997A Bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources as investment securities.

Series 1999A, 1999B, 1999C, and 1999D. On January 1, 1999, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1999A and 1999B (tax-exempt) and Series 1999 and 1999D (taxable) in the aggregate amount principal amounts of $13,135,000, $3,025,000, $2,265,000, and $4,875,000, respectively. The Series 1999 Bonds were issued by the Authority to reimburse the Public Project Revolving Loan Fund for loans made to the 1999 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1999 bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources and the New Mexico Interstate Stream Commission's investment securities. All of the bonds are secured from the Authority's portion of governmental gross receipts tax and income and principal from the loans and investments financed by the proceeds of the issue.

Series 2000A. On January 1, 2000, the Authority issued its Public Project Revolving Fund, Series 2000A in the aggregate principal amount of $4,715,000 to finance a loan to Valencia County, New Mexico, to construct, purchase, furnish, and equip an adult correctional facility for the County and to finance the cost of issuance of the Series 2000A Bonds.

NOTE 9. BONDS PAYABLE (CONTINUED)

Series 2000B and C. On September 1, 2000 the Authority issued $7,670,000 of Public Project Revolving Fund series B and $28,850,000 series C bonds. The series 2000B and C were issued to reimburse the Public Project Revolving Fund for loans made by the NMFA to various Governmental Units and to reimburse the NMFA for and to finance the costs of issuance of the Series 2000B and C bonds.

Insurance Department Financing Fund. On May 23, 1996, the Authority issued $525,000 of New Mexico Finance Authority Insurance Department Surcharge Revenue Bonds, which was refunded on December 1, 1998 and reissued at $400,000, to finance information and communication equipment for the New Mexico Department of Insurance. A $3 surcharge on insurance agents annual fee is the only pledged revenue source for the repayment of the bonds and is paid to the Authority.

Court Automation Financing Fund. On June 25, 1996, and September 15, 1999, the Authority issued $8,500,000 and $3,500,000 of New Mexico Finance Authority Court Automation Fee Revenue Bonds, respectively. The bonds were issued to finance the costs of acquiring court automation systems, including acquisition, development and installation of computer hardware and software, for the Administrator Office of the Court of the State of New Mexico. The bonds are payable from and secured only by a pledge of a portion of certain docketing fees imposed and collected by the courts in the state and certain costs collected in connection with motor vehicle and other violations. These fees and costs are paid to the Authority. These bonds were defeased during fiscal year 2001.

Administrative Fee Revenue Program Fund (TRIMS Project) Series 1997A and 1999A. On September 11, 1997 and September 20, 1999, the Authority issued $17,440,660 and $16,269,140 of New Mexico Finance Authority (TRIMS Project) revenue bonds, respectively. The bonds were issued to finance an information management system to assist in tax collections to be used by the New Mexico Taxation and Revenue Department (NMTRD). The principal and interest on the bonds are payable solely from and secured solely by the pledged revenues, which include revenues from administrative fees payable to and withheld by NMTRD from collections of municipal and country local option gross receipts taxes, and administrative fees from collections of solid waste assessment fees, boat excise tax and registration fees, tax intercept payments and water conservation fees, as well as proceeds of bonds and investment earnings on the proceeds and revenues.

NOTE 9. BONDS PAYABLE (CONTINUED)

Highway 44 Financing Fund. On September 1, 1998, the Authority issued $100,230,000 of Federal Highway Grant Anticipation Revenue Bonds. The bonds were issued to finance the cost of an infrastructure project, which includes the acquisition, construction, expansion and improvement of approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes by the New Mexico State Highway and Transportation Department ("NMSHTD"), and are payable solely from the Authority's rights to payments under a Loan Agreement between the Authority and NMSHTD. The obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a pledge, which consist of revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

State Capitol Improvement Financing Fund. On May 11, 1999, the Authority issued $9,315,000 of New Mexico Finance Authority State Capitol Building Improvement Revenue Bonds, Taxable Series 1999. The Bonds were issued for the purpose of repairing, remodeling, constructing and equipping the New Mexico State Library and for relocation associated renovations in the State Capitol.

Federal Highway Forest Road Financing Fund. On February 1, 2001, the Authority issued $18,535,000 of New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds, Series 2001. The Bonds were issued for the purpose of financing the cost of an infrastructure project, which includes the design, reconstruction, expansion and improvement of all or parts of U.S. Highway 70 (Forest Highway 34), U.S. Highway 64 (Forest Highway 9), New Mexico Highway 126 (Forest Highway 12) and New Mexico Highway 12 (Forest Highway 21).

Bonds outstanding are direct obligations of the Authority for which its full faith and credit are pledged and are payable from pledged tax revenues of various entities. During fiscal year 2001, the Authority issued $55,055,000 in new bonds.

NOTE 9. BONDS PAYABLE (CONTINUED)

Bonds payable balances consist of the following at June 30, 2001:

	Amount	Interest Rate	Final Maturity
Internal service fund			
Special Cigarette Tax Revenue Bond	$ 3,000,000	4.80-5.25%	June 1, 2006
Expendable trust funds			
PPRF 1995A and B	31,335,000	4.65-6.45	June 1,2023
PPRF 1996A and B	14,810,000	4.40-6.00	July 1, 2021
PPRF 1997A	7,360,000	4.25-4.90	June 1, 2017
PPRF 1999A, B, C and D	19,940,000	3.30-6.30	June 1, 2018
PPRF 2000A	4,225,000	4.10-5.30	June 1, 2009
PPRF 2000B and C	34,944,838	4.75-5.50	June 1, 2030
Workers Compensation Financing Fund	3,785,000	5.00-5.60	Sept. 1, 2016
Insurance Department Financing Fund	130,000	3.75-4.00	June 15, 2003
Administration Fee Revenue Program	25,558,828	(a)	July 1, 2007
Highway 44 Financing Fund	100,230,000	3.95-5.52	Sept. 1, 2015
State Capitol Improvement Financing Fund	8,660,000	7.00	March 15, 2015
Federal Highway Forest Road Financing Fund	18,535,000	4.75-5.50	September 1, 2011
	269,513,666		
Total	$ 272,513,666		

(a) Interest on the bonds will be paid at the lesser of (a) a weekly rate or long-term interest rates as selected by the Authority and as determined in accordance with the First Supplemental Indenture and (b) the maximum rate, or, when a letter of credit secures the payment of the bonds, such lower maximum rate as may be specified in the letter of credit. Interest will initially be payable at a weekly rate, as set forth in the First Supplemental Indenture. The Authority may change the interest rate determination method to a long-term interest rate mode. Such a change will result in the bonds becoming subject to mandatory tender for purchase on the effective date of such change. While there exists an Event of Default under the indenture, the interest rate of the bonds will be the rate on the bonds on the day before the event of default occurred. At no time will the bonds bear interest at a rate in excess of 12 percent.

NOTE 9. BONDS PAYABLE (CONTINUED)

The annual requirements to amortize the bonds outstanding is as follows:

	Principal	Interest	Total
2002	$ 17,145,000	13,866,468	31,011,468
2003	19,320,000	12,989,142	32,309,142
2004	19,965,000	11,994,875	31,959,875
2005	20,340,000	10,973,926	31,313,926
2006	21,075,000	9,925,056	31,000,056
Thereafter	174,668,666	56,293,811	230,962,477
	$ 272,513,666	116,043,278	388,556,944

NOTE 10. GENERAL LONG-TERM DEBT

The Authority has issued Certificates of Participation under the Equipment Loan Program. The proceeds are loaned to various governmental entities to purchase equipment. The loans have been assigned to trustees. The certificates are secured by various sources of local government revenues secured by intercept agreements which direct sources of revenues from the borrowers to the trustees. The certificates are not an obligation of the State of New Mexico or the Authority. However, the Authority has decided to record the debt to the general long-term debt account group because of its oversight responsibilities.

In October 1994, the Authority issued $646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were used to make loans to ten local governments in the State. On August 29, 1995, the Authority issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A. The proceeds were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued 2,904,000 aggregate principal amount of its Equipment Program Certificates of participation, Series 1995B. The net proceeds were loaned to the City of Las Cruces. On March 19, 1996, the Authority issued $1,458,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1996A. The net proceeds were loaned to thirteen local governmental entities in the state. On December 3, 1996, the Authority issued $1,820,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation Series 1996B. The net proceeds were loaned to various governmental entities in the state. Interest rates on the equipment loans range from 4.5 percent to 6.3 percent.

NOTE 10. GENERAL LONG-TERM DEBT (CONTINUED)

The following changes occurred in the general long-term debt account group fir the year ended June 30, 2001:

	June 30, 2000 Balance	Additions	Deletions	**June 30, 2001 Balance**
1994 Equipment Issue	$ 163,000	-	34,000	**129,000**
1995 Equipment Issue A	1,428,000	-	698,000	**730,000**
1995 Equipment Issue B	1,900,000	-	279,000	**1,621,000**
1996 Equipment Issue A	434,000	-	88,000	**346,000**
1996 Equipment Issue B	1,418,000	-	164,000	**1,254,000**
	$ 5,343,000	-	1,263,000	**4,080,000**

The annual requirement to amortize the equipment issues as of June 30, 2001 is as follows:

Maturity	Principal	Interest	Total
2002	$ 719,000	208,514	927,514
2003	719,000	172,274	891,274
2004	607,000	137,639	744,639
2005	634,000	105,725	739,725
2006	614,000	69,799	683,799
Thereafter to 2016	787,000	193,673	980,673
	$ 4,080,000	887,624	4,967,624

NOTE 11. OPERATING LEASES

The Authority is committed under various lease agreements for office space, copying equipment and a vehicle. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2001 amounted to approximately $101,642. Future minimum lease payments for these leases are as follows:

Year Ending June 30	
2002	$ 101,642
2003	85,494
2004	84,059
2005	84,059
2006	13,274
	$ 368,528

NOTE 12. RETIREMENT PLAN

The Authority had established its own retirement plan since it cannot participate through the Public Employees Retirement Act (PERA) multiple employer public retirement system. The Authority also does not participate in the Retiree Health Care Act. This retirement plan was organized under Section 408(k) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make a voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested and the Authority contributions will vest 100% to the employee after five years. The contributions are invested in various mutual funds. The Authority's contributions for this retirement plan were approximately $99,700, $80,000 and 67,700 for the years ended June 30, 2001, 2000 and 1999, respectively. Substantially all full time employees participate in this plan.

NOTE 13. BUDGETARY INFORMATION

The Authority budgets the operations program component of the internal service fund and the DWRLF. The following budgetary information is for the period ended June 30, 2001 (Non-GAAP Budgetary Basis):

Internal Service Fund - Operations

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Administrative fees	$ 426,065	396,091	(29,974)
Interest income	-	26,587	26,587
Total revenues	426,065	422,678	(3,387)
Operating transfer in	465,182	416,741	(48,441)
Total revenues and transfer in	$ 891,247	839,419	(51,828)

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personal services	$ 456,484	446,590	9,894
Employee benefits	177,550	163,333	14,217
In-state travel	13,384	12,069	1,315
Maintenance and repairs	5,431	9,470	(4,039)
Office supplies	16,214	15,817	397
Contractual services	80,050	84,786	(4,736)
Operating costs	118,950	116,928	2,022
Out-of-state travel	10,200	12,156	(1,956)
Total current expenditures	878,263	861,149	17,114
Capital outlay	12,984	14,209	(1,225)
Total expenditures	$ 891,247	875,358	15,889

Reconciliation of budgetary basis to GAAP:	
Excess of revenues and other sources over expenditures	$ (35,939)
Less: Prior year accruals	(64,176)
Plus: Current year accruals	16,764
Less: Depreciation	(16,748)
Plus: Capital outlay capitalized	14,209
Net loss per schedule 2	$ (85,890)

NOTE 13. BUDGETARY INFORMATION (CONTINUED)

Non-Expendable Trust Fund - DWRLF

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Administrative fees	$ -	3,885	3,885
Grant revenue	518,859	3,584,050	3,065,191
Interest	-	142,539	142,539
Total revenues	$ 518,859	3,730,474	3,211,615

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personal services	$ 118,617	88,697	29,920
Employee benefits	42,577	32,439	10,138
In-state travel	9,520	3,936	5,584
Maintenance and repairs	2,635	1,881	754
Office supplies	7,000	6,095	905
Contractual services	295,500	2,124,232	(1,828,732)
Operating costs	30,240	23,231	7,009
Out-of-state travel	6,950	6,580	370
Total current expenditures	513,039	2,287,091	(1,774,052)
Capital outlay	5,820	3,644	2,176
Total expenditures	$ 518,859	2,290,735	(1,771,876)

Reconciliation of budgetary basis to GAAP:	
Excess of revenues over expenditures	$ 1,439,739
Less: Prior year accruals	(259,934)
Plus: Current year accruals	237,022
Less: Depreciation	(28,588)
Plus: Capital outlay	3,644
Net income per statement C-2	$ 1,391,883

NOTE 14. FUND BALANCE/EQUITY (DEFICITS)

The fund balance deficits in the Workers' Compensation Financing Fund, State Capitol Improvement Financing Fund, and Administrative Fee Revenue Program Fund are caused by the transfer of bond proceeds to the respective other state agencies. The deficits will be eliminated as future pledged revenues are received by the Authority.

Fund balance (deficits) for the year ended June 30, 2001 are as follows:

Expendable Trust Funds:

Workers' Compensation Financing Fund	$ (2,297,231)
Administration Fee Revenue Program	(13,017,151)
State Capitol Improvement and Financing Fund	(8,565,582)
	$ (23,879,964)

NOTE 15. CONTINGENCIES

The Authority is exposed to various risks of loss for which the Authority carries insurance (Auto; Employee Fidelity Bond; General Liability, Civil Rights; Property; and Worker's Compensation) with the State of New Mexico Risk Management Division and with private insurance companies.

The Authority is not subject to any legal proceedings, claims or liabilities at June 30, 2001.

NOTE 16. SUBSEQUENT EVENTS

Subsequent Events

After June 30, 2001, the Authority issued the following debt:

Metro Court Financing Fund. The laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. On August 1, 2001, the Authority issued $21,600,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001A (Tax Exempt), and $11,400,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001B (Taxable). The Series 2001A Bonds are being issued by the Authority for the purpose of financing the acquisition of real property for the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court and to finance the costs of issuance of the Series 2001A Bonds. The taxable Series 2001B Bonds are being issued by the Authority for the purpose of financing the acquisition of land for, and the design, construction, furnishing and equipping of a parking facility adjacent to the new Bernalillo County Metropolitan Court and to finance the costs of issuance of the taxable Series 2001B Bonds.

After June 30, 2001 the Authority issued the following PPRF Direct Loans, Drinking Water Loans and Water Wastewater Grants:

Santa Fe County – On July 6, 2001, the Authority lent Santa Fe County $565,556 from the Public Projects Revolving Fund. The loan was for the purpose of acquiring solid waste equipment, road maintenance equipment and project development equipment. The term of the loan is for four years. The interest rate is 3.638% with principal payments due through May 2005.

Colfax County/Angel Fire District - On July 20, 2001, the Authority lent Colfax County/Angel Fire District $100,000 from the Public Projects Revolving Fund. The loan was for the purpose of purchasing a 1,700 gallon water tender to be used by the fire district. The term of the loan is for seven years. The interest rate is 3.278% with principal payments due through May 2008.

Oro Grande Mutual Domestic Water Cooperative Association. – On July 26, 2001, the Authority granted Oro Granda MDWCA $400,000 from the Public Projects Revolving Fund. The grant is for the purpose of exploration and drilling of water wells and providing customer hook-ups to new wells to provide customers with safe drinking water sources. This is a grant and therefore does not have a repayment period or an interest rate on the granted funds.

NOTE 16. SUBSEQUENT EVENTS (CONTINUED)

Desert Sands Mutual Domestic Water Cooperative Association. – On July 27, 2001, the Authority granted Desert Sands MDWCA $15,000 from the Public Projects Revolving Fund. The grant was for the purpose of acquiring a replacement pump and motor at Desert Sands drinking water wells. This is a grant and therefore does not carry an interest rate or have a repayment period.

City of Rio Rancho – On July 27, 2001, the Authority lent the City of Rio Rancho $200,000 from the Public Projects Revolving Fund. The loan was for the purchase of a prefabricated metal building for road maintenance equipment and offices. The term of the loan is three years. The interest rate is 3.554% with principal payments due through May 2004.

Mora Mutual Domestic Water Cooperative & Solid Waste Authority – On August 14, 2001, the Authority granted the Mora MDWC & SWA $333,000 from the Public Projects Revolving Fund. The grant is for the purpose of installing a 250,000 gallonwater storage tank, water meters, and a culvert to cross the Mora River. This is a grant and therefore does not carry an interest rate or have a repayment period.

Pineywoods Estates Water Association – On August 18, 2001, the Authority approved a grant to the Pineywoods Estates Water Assoc. in the amount of $14,450 from House Bill #160 Authorization. The grant was for the purpose of installing service meters to association members. This is a grant and therefore does not carry an interest rate or have a repayment period.

Malaga Mutual Domestic Water Cooperative Association – On August 21, 2001, the Authority granted the Malaga MDWCA $170,000 from the Public Projects Revolving Fund. The grant was for the purpose of acquiring a water well site and designing, engineering and constructing a new water well for the association. This is a grant and therefore does not carry an interest rate or have a repayment period.

Town of Bernalillo – On August 24, 2001, the Authority lent the Town of Bernalillo $174,226 from the Public Projects Revolving Fund. The purpose of the loan was for the purchase of HVAC, electrical and plumbing equipment for a multipurpose community center. The term of the loan is ten years. The interest rate is 4.109% with principal payments due through May 2011.

Malaga Mutual Domestic Water Association – On August 24, 2001, the Authority lent the Malaga MDWA $171,718 from the Drinking Water Revolving Loan Fund. The purpose of the loan is for the drilling of a new water well for the association. The term of the loan is 22 years. The interest rate 0.00% with principal payments due through May 2023.

NOTE 16. SUBSEQUENT EVENTS (CONTINUED)

Ramah Navajo Chapter of The Navajo Nation – On August 30, 2001 the Authority granted $101,400 to the Ramah Navajo Chapter of the Navajo Nation from the Public Projects Revolving Fund. The purpose of the grant is to replace the Chapter's water storage tanks and rehabilitate segments of the waterline between the storage tank and the water well. This is a grant and therefore does not carry an interest rate or have a repayment period.

Sandoval County/La Madera Fire Dept. – On August 31, 2001, the Authority lent Sandoval County/La Madera Fire Dept. $95,000 from the Public Projects Revolving Fund. The purpose of the loan was for the acquisition of a 1,800 gallon tanker, pump and related equipment for the La Madera Fire District. This is an interim loan and at this time the term of the loan has not been determined. The interest rate is 4.484%.

Town of Elida – On September 7, 2001, the Authority lent the Town of Elida $48,300 from the Public Projects Revolving Fund. The purpose of the loan was for the purchase of a type I ambulance. This is an interim loan and at this time the term of the loan has not been determined. The interest rate is 0.00%.

City of Portales – On September 14, 2001, the Authority lent the City of Portales $3,570,554 from the Public Projects Revolving Fund. The purpose of the loan was for the acquisition of land and water wells for the City's joint water and sewer utility system. The term of the loan is 15 years. The interest rate is 4.352% with principal payments due through May 2016.

Santa Fe County – On September 14, 2001, the Authority lent Santa Fe County $833,333 from the Public Projects Revolving Fund. The purpose of the loan was for the acquisition of computerized orthophotographic maps and related equipment. The term of the loan is five years. The interest rate is 3.727% with principal payments due through May 2006.

Truth or Consequences – On September 14, 2001, the Authority lent Truth or Consequences $347,222 from the Public Projects Revolving Fund. The purpose of the loan was for the acquisition of various city vehicles and equipment. The term of the loan is five years. The interest rate is 2.166% with principal payments due through May 2006.

City of Artesia - On September 21, 2001, the Authority lent the City of Artesia $1,666,667 from the Public Projects Revolving Fund. The purpose of the loan is for the renovation and expansion of the City's wastewater treatment plant. The term of the loan is ten years. The interest rate is 4.109% with principal payments due through May 2011.

NOTE 16. SUBSEQUENT EVENTS (CONTINUED)

Village of Los Lunas – On September 21, 2001, the Authority lent the Village of Los Lunas $4,070,600 from the Drinking Water Revolving Loan Fund. The purpose of the loan is to make water system improvements for the Village of Los Lunas. The term of the loan is twenty years. The interest rate is 2.5354% with principal payments due through May 2021.

Taos County/La Lama Fire Dept. – On September 21, 2001, the Authority lent Taos County/La Lama Fire Dept. $40,000 from the Public Projects Revolving Fund. The purpose of the loan is for the equipping and completion of the construction of a fire substation. This is an interim loan and at this time the term of the loan has not been determined. The interest rate is 0.00%.

The Village of Angel Fire – On September 28, 2001, the Authority lent the Village of Angel Fire $1,262,559 from the Public Project Revolving Fund. The purpose of the loan is for the construction and equipping of a solid waster transfer facility. The term of the loan is twenty years. The interest rate is 4.772% with principal payments due through May 2021.

Village of Loving – On October 5, 2001, the Authority lent the Village of Loving $48,000 from the Public Projects Revolving Fund. The purpose of the loan is for the construction and renovation of the Village Hall. The term of the loan is for twenty years. The interest rate is 0.00% with principal payments due through May 2021.

Chaves County/Berrendo Fire Dept. – On October 12, 2001, the Authority lent Chaves County/Berrendo Fire Dept. $60,000 from the Public Projects Revolving Fund. The purpose of the loan is for the acquisition and construction of a fire substation for the Berrendo Volunteer Fire District. The term of the loan is for ten years. The interest rate is 3.00% with principal payments due through May 2012.

Canyon Mutual Domestic Water Consumers Association – On October 16, 2001, the Authority granted the Canyon MDWCA $198,850 from the Public Projects Revolving Fund. The purpose of the grant is to replace 4.6 miles of existing 2", 3" and 4" water lines with 6" C900 pipe. This is a grant and therefore does not carry an interest rate or have a repayment period.

High Sierra Estates Water Association – On October 19, 2001, the Authority lent the High Sierra Estates Water Association $121,213 from the Drinking Water Revolving Loan Fund. The purpose of the loan is to drill a new water well, install a new water storage tank and chlorinator, connect the well to the storage tank and replace existing water lines for the Association. The term of the loan is twenty years. The interest rate is 3.00% with principal payments due through May 2021.

NOTE 16. SUBSEQUENT EVENTS (CONTINUED)

Solacito Mutual Domestic Water Consumers Association – On October 22, 2001, the Authority granted the Solacito MDWCA $21,750 from the Public Projects Revolving Fund. The purpose of the grant is for the installation of seven new liquid waste systems. This is a grant and therefore does not carry an interest rate or have a repayment period.

City of Albuquerque (SAD #222) – On October 26, 2001, the Authority lent the City of Albuquerque $4,682,732 from the Public Projects Revolving Fund. This project is a multi-purpose street, storm drainage, water and sanitary improvements project for the southwest quandrant of the City of Albuquerque. The term of the loan is ten years. The interest rate is 4.185% with principal payments due through June 2011.

City of Truth or Consequences – On October 31, 2001, the Authority lent the City of Truth or Consequences $1,841,089 from the Drinking Water Revolving Loan Fund. The purpose of the loan is for the construction of two 3-million gallon water storage tanks. The term of the loan is for twenty years. The interest rate is 2.2722% with principal payments due through May 2021.

Village of Encino – On September 28, 2001, the Authority granted the Village of Encino $360,000 from the House Bill #160 Authorization. The purpose of the grant is for the installation of a new water well. This is a grant and therefore does not have an interest rate or have a repayment period.

City of Espanola – On October 1, 2001, the Authority lent the City of Espanola $126,667 from the Public Projects Revolving Fund. The purpose of the loan is for the purchase of a road grader. The term of the loan is eight years. The interest rate is 3.395% with principal payments due through may 2009.

City of Espanola – On October 1, 2001, the Authority granted the City of Espanola $153,000 from the Public Projects Revolving Fund. The purpose of the grant is to complete laying 2,600 feet of 15-inch wastewater pipeline. This is a grant and therefore does not have an interest rate or a repayment period.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements are extracts, supplementing the information in the body of the Official Statement, of certain provisions of the Indenture. These extracts do not purport to be complete and reference is made to the Indenture for a full and complete statement of such provisions. See "ADDITIONAL INFORMATION."

The following are certain definitions contained in the Indenture and extracts of certain provisions contained in the General Indenture and are not to be considered as a full statement thereof. Reference is hereby made to the Indenture for full details of all of the terms of the Bonds, the security provisions appertaining thereto and the other terms thereof. During the offering period of the Series 2002A Bonds, copies of the Indenture will be available at the principal office of the Underwriters. Subsequent to the offering of the Series 2002A Bonds, copies of the Indenture may be obtained from the Trustee.

CERTAIN DEFINITIONS

"Account" or "Accounts" means one or more of the special trust accounts created and established pursuant to the Indenture.

"Act" means the New Mexico Finance Authority Act, being Sections 6-21-1 through 6-21-31, inclusive, NMSA 1978, as amended and as the same may hereafter be amended and supplemented.

"Additional Bonds" means any Bonds of the NMFA, including the Series 2002A Bonds, Series 2000B-C Bonds, Series 2000A Bonds, the Series 1999A-D Bonds, Series 1997 Bonds and the Series 1996 Bonds, authorized and issued under the Indenture, except for the Series 1995 Bonds.

"Additional Pledged Loans" means any additional loans or securities which (i) were made or purchased by the NMFA from amounts on deposit in the Public Project Revolving Fund and (ii) the payments of principal and interest on which have been specifically pledged by the NMFA to the payment of the Bonds and other amounts due under the Indenture. No such loans or securities shall be deemed to be Additional Pledged Loans unless the Trustee has received written notice from the NMFA that a specific loan or security will be included under the Indenture.

"Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Agreement" or "Agreements" means, as the case may be, one or more Loan Agreements, Grant Agreements or Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of a Project by the NMFA under the General Indenture.

"Agreement Pledged Revenues" means the pledged revenues designated by a Governmental Unit for payments to be made pursuant to the respective Loan Agreement, Security Documents or Securities.

"Agreement Reserve Fund" means the Agreement Reserve Fund established by the Indenture and each Agreement Reserve Account, if any, created by an Agreement therein.

"Agreement Reserve Requirement" for each Agreement establishing an Agreement Reserve Account, means the amount, if any, required by such Agreement to be allocated to an Agreement Reserve Account (relating to such Agreement) within the Agreement Reserve Fund.

"Approval of Bond Counsel" means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

CATEGORY OF LOANS AND ADDITIONAL PLEDGED LOANS	APPLICABLE PERCENTAGE
CATEGORY I LOANS AND ADDITIONAL PLEDGED LOANS	100%
CATEGORY II LOANS AND ADDITIONAL PLEDGED LOANS	80%
CATEGORY III LOANS AND ADDITIONAL PLEDGED LOANS	50%
CATEGORY IV LOANS AND ADDITIONAL PLEDGED LOANS	0%

"Authorized Denominations" with respect to the Series 2002A Bonds, $5,000 or any integral multiple thereof.

"Authorized Officer" means: (i) in the case of the NMFA, the Chair, any Vice Chair, Secretary, or Treasurer, and when used with reference to any act or document also means any other person authorized by resolution of the NMFA to perform such act or execute such documents; (ii) in the case of a Governmental Unit, means the person or persons authorized by resolution or ordinance of the Governmental Unit to perform any act or execute any document; and (iii) in the case of the Trustee or the Paying Agent any person authorized to perform any act or sign any document by or pursuant to the bylaws or any resolution of the governing body of the Trustee or the Paying Agent, respectively.

"Bond Counsel" means nationally recognized bond counsel experienced in matters of municipal law, satisfactory to the Trustee and listed in the list of municipal bond attorneys, as published semiannually by The Bond Buyer, or any successor publication.

"Bond Fund" means the fund by that name established by the Indenture, to be held by the Trustee and used to pay amounts due on the Bonds.

"Bond Fund Year" means a twelve-month period ending on June 1 of each year.

"Bond Documents" means collectively, the Loan Agreements, the Grant Agreements, the Securities, the Security Documents, and the Indenture.

"Bond Registrar" or "Registrar" means the Trustee or any other registrar appointed under the Indenture.

"Bonds" means all Bonds issued under and secured by the Indenture.

"Business Day" shall mean any day, other than a day on which banks located in New York, New York or the cities in which the Principal Offices of the Trustee or the Paying Agent are located are required or authorized by law or executive order to close, or on which the New York Stock Exchange is closed.

"Cash Flow Statement" means an NMFA certificate (a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate:

(1) the amount of NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(2) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(3) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding;

and (b) showing that in each such Bond Fund Year, the aggregate of the amount set forth in clause (A) of the definition divided by 1.35, plus the aggregate amount set forth in clause (B) of the definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of the definition. For purposes of the foregoing definition the following assumptions shall apply:

(a) NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period in the 24 months next preceding the delivery of the Cash Flow Statement;

(b) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(c) Loans and Additional Pledged Loans will be assumed to remain in their then current category designations throughout the period projected in the Cash Flow Statement.

"Category I Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in at least the third highest full rating category or higher by the Rating Agency.

"Category II Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

"Category III Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are not designated or rated or are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Non-Performing Loans and Additional Pledged Loans and Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been fully replenished in accordance with the related Agreement or loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agency.

"Code" means the Internal Revenue Code of 1986, as amended and the applicable regulations thereunder.

"Covenant Default" has the meaning, if any, given in any Loan Agreement, Securities or Additional Pledged Loan.

"Debt Service Fund" means the fund by that name established by the Indenture to be held by the Trustee and each Account created therein.

"Expense Fund" means the fund by that name established by the Indenture to be held by the Trustee.

"Funds and Accounts" means collectively, the Debt Service Fund and the Accounts created therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, and the Bond Fund.

"Governmental Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Governmental Units" means any "qualified entity" under the Act which has executed and delivered to the NMFA a Loan Agreement, Grant Agreement or Securities for the purpose of financing all or a portion of a Project.

"Grant Agreements" means a grant or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and does not require payments by the Governmental Unit to be made thereunder.

"Grants" means collectively, the Grants made pursuant to the Grant Agreements.

"Indenture" means the General Indenture of Trust and Pledge and all Supplemental Indentures thereto.

"Interest Component" means the portion of each Loan Payment representing interest on the related Loan.

"Interest Payment Date" shall, with respect to the Series 2002A Bonds, each June 1 and December 1, commencing December 1, 2002.

"Loan Agreement" means a loan or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and requires the Governmental Unit to repay the amounts advanced.

"Loan Payment" means the payments made by each Governmental Unit pursuant to the provisions of a Loan Agreement or Securities and which are to be used in accordance with the Indenture.

"Loan Payment Date" means the date specified in each Loan Agreement or Securities as the due date for Loan Payments.

"Loans" means collectively, the Loans made pursuant to the Loan Agreements and the Securities; excluding, however, all Additional Pledged Loans. Loans and Additional Pledged Loans may be evidenced by the same document containing two or more separate obligations.

"NMFA Portion of the Governmental Gross Receipts Tax" means an amount equal to 75% of the net receipts attributable to the governmental gross receipts tax levied pursuant to Section 7-9-4.3, NMSA 1978, as amended, and distributed to the NMFA pursuant to Section 7-1-6.38, NMSA 1978, as amended.

"Nonperforming Loans and Additional Pledged Loans" means Loan Agreements and Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a Covenant Default) or under which a delinquency exists in payments of principal or interest thereunder.

"Original Issue Date" means, with respect to the Series 2002A Bonds, July 2, 2002.

The terms "Outstanding" or "Bonds outstanding" mean all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(1) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(2) any Bond (or any portion thereof) (i) for the payment or redemption of which there shall be held in trust under the Indenture and set aside for such payment or redemption, moneys and/or Governmental Obligations (not callable at the option of the issuer thereof) maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which,

together with income to be earned on such Governmental Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or redemption price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any such Bond (or any portion thereof) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee; and

(3) Bonds deemed paid pursuant to the provisions of the Indenture; and

(4) Bonds in lieu of which others have been authenticated pursuant to the Indenture.

"Participants" means underwriters, securities brokers and dealers, banks and trust companies, clearing corporations and other persons from time to time for which DTC or any successor Securities Depository holds Series 2002A Bonds as Securities Depository.

"Paying Agent" means the Trustee or any successor or additional paying agent appointed pursuant to the Indenture.

"Permitted Investments" (i) with respect to the investment of the respective Accounts of the Program Fund, the Agreement Reserve Fund and the Debt Service Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund and the Rebate Fund or any other fund created under the Indenture, the following to the extent permitted by New Mexico law:

(a) Governmental Obligations;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Farmers Home Administration* (FmHA)
Certificates of Ownership;

ii) *Federal Housing Administration (FHA) Debentures;*

iii) *General Services Administration* Participation certificates;

iv) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations (participation certificates);

v) *U.S. Maritime Administration* Guaranteed Title XI financing;

vi) *U.S. Department of Housing and Urban Development* (HUD)
Project Notes

Local Authority Bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Federal Home Loan Bank System*
Senior debt obligations (Consolidated debt obligations);

ii) *Federal Home Loan Mortgage Corporation* (FHLMC or "Freddie Mac")
Participation Certificates (Mortgage-backed securities)
Senior debt obligations;

iii) *Federal National Mortgage Association* (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal);

iv) *Student Loan Market Association* (SLMA or "Sallie Mae") Senior debt obligations;

v) *Resolution Funding Corp.* (REFCORP) Only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book-entry form are acceptable;

vi) *Farm Credit System*
Consolidated systemwide bonds and notes;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's Ratings Group ("S&P") of "AAAm-G," "AAAm" or "AAm" or by Moody's Investors Service, Inc. ("Moody's") of "Aaa";

(e) Certificates of deposit ("CD") secured at all times by collateral described in (a) and/or (b) above. CD's must have a one-year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+"or better by S&P, and "Prime-1" or better by Moody's. The collateral must be held by a third party and the third party must have a perfected first security interest in the collateral;

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BID and SAIF;

(g) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P;

(h) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies;

(i) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1+" by S&P;

(j) Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date; provided, however, that the repurchase agreement must satisfy certain criteria articulated in writing to the NMFA by the Rating Agency;

(k) Investment contracts with providers the long term, unsecured debt organization of which are rated at least "A" by the Rating Agency; and

(l) deposits with the Treasurer of the State for investment in obligations described above.

"Prepayment" means the amount paid by a Governmental Unit pursuant to the provisions of its Loan Agreement or Securities as a prepayment of all or a portion of the principal balance due under its Loan Agreement or a prepayment of the principal amount of the Securities.

"PrincipalComponent" means the portion of each Loan Payment representing principal on the related Loan.

"Program" means the NMFA's public project revolving fund program.

"Program Costs" means the fees and expenses payable to the Trustee, any Paying Agent and the NMFA.

"Program Fund" means the fund by that name which is created and established by the Indenture.

"Projects" means, collectively, the projects (i) authorized by the Legislature for financing by the NMFA from the Public Project Revolving Fund (to the extent required by law) and (ii) described in a Supplemental Indenture and a Loan Agreement, Grant Agreement or Securities.

"Public Project Revolving Fund" means the public project revolving fund established pursuant to the Act.

"Rating Agency" means Moody's Investor's Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

"Rebate Calculation Date" means, with respect to each Series of Bonds, the interest payment date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the

Initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last bond for such Series.

"Rebate Fund" means the Fund so designated, which is created and established by the Indenture.

"Rebate Requirement" means the amount of arbitrage profits earned from the investment of gross proceeds of the Bonds in nonpurpose investments described in Section 148(f)(2) of the Code and defined as "Rebate Amount" in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 2002A Bonds maintained by the Registrar.

"Registered Owner" or "Bondowner" or "Owner" or "Bondholder" or "holder" means the person or persons in whose name or names a Bond shall be registered on the books of the Trustee kept for that purpose in accordance with provisions of the Indenture.

"Regular Record Date" means the fifteenth (15th) day immediately preceding each Interest Payment Date (or the Business Day immediately preceding such fifteenth (15th) day, if such fifteenth (15th) day is not a Business Day).

"Revenue Fund" means the Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund so designated, which is created and established by the Indenture to be held by the Trustee.

"Revenues" means (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund).

"Securities" means the securities purchased or acquired by the NMFA in consideration for a Loan made pursuant to the Indenture.

"Security Documents" means the intercept agreements or other security documents delivered by Governmental Units to provide additional security for a Loan Agreement or Securities.

"Series 1995 Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1995A, in an initial aggregate principal amount of $41,230,000 and the Public Project Revolving Fund Revenue Bonds, Taxable Series 1995B, in an initial aggregate principal amount of $4,000,000.

"Series 1996 Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1996A, in an initial aggregate principal amount of $17,625,000 and the Public Project Revolving Fund Revenue Bonds Taxable Series 1996B, in an initial aggregate principal amount of $3,500,000.

"Series 1997 Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1997, in an initial principal amount of $8,585,000.

"Series 1999A-D Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1999A, in an initial aggregate principal amount of $13,135,000, the Public Project Revolving Fund Revenue Bonds, Series 1999B, in an initial aggregate principal amount of $3,025,000, the Public Project Revolving Fund Revenue Bonds, Taxable Series 1999C, in an initial aggregate principal amount of $2,265,000 and the Public Project Revolving Fund Revenue Bonds, Taxable Series 2000 in an initial aggregate principal amount of $4,875,000.

"Series 2000A Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 2000A, in an initial aggregate principal amount of $4,715,000.

"Series 2000B-C Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2000B, in an initial aggregate principal amount of $7,670,000 and the Public Project Revolving Fund Revenue Bonds, Series 2000C, in an initial aggregate principal amount of $28,850,000.

"Series 2002A Bond Insurance Policy" means, with respect to the Series 2002A Bonds, the municipal bond insurance policy issued by the Series 2002A Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2002A Bonds.

"Series 2002A Bond Insurer" means, with respect to the Series 2002A Bonds, MBIA Insurance Corporation, or any successor thereto.

"Series 2002A Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2002A, in an initial aggregate principal amount of $55,610,000.

"Special Record Date" means a special record date established pursuant to the Indenture.

"State" means the State of New Mexico.

"Supplemental Indenture" means any supplemental indenture approved by the NMFA in accordance with the Indenture amending or supplementing the Indenture or any Supplemental Indenture.

"Trust Estate" means the property held in trust by the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means Bank of Albuquerque, N.A., Albuquerque, New Mexico and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor Trustee under the Indenture.

THE INDENTURE

Registration and Exchange of Bonds

Books for the registration and for the transfer of the Bonds shall be kept by the Trustee which is appointed the Bond Registrar with respect to the Bonds. Any Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any fully registered Bond at the principal office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing and satisfactory to the Trustee, the NMFA shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new, fully registered Bond or Bonds for a like aggregate principal amount. Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series and the same maturity. The execution by the NMFA of any Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Bond. The NMFA and the Trustee shall not be required to transfer or exchange any Bond of a particular Series (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds of a particular Series for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The NMFA, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered on the registration books kept by the Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the NMFA, nor the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond shall be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In each case the Trustee shall require the payment by the Registered Owner requesting exchange or transfer, only of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Nonpresentment of Bonds

In the event that any Bond shall not be presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond shall have been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the NMFA to the holder thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability to the holders of such Bonds for interest thereon, for the benefit of the holder of such Bond who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Moneys so deposited with the Trustee which remain unclaimed four (4) years after the date payment thereof becomes due shall, to the extent authorized by applicable law, at the request of the NMFA and if the NMFA is not at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture and if to the knowledge of the Trustee there has been no Event of Default, be repaid to the NMFA and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the NMFA; provided that the Trustee, before making payment to the NMFA, may cause a notice to be given to the Owners of the Bonds at their registered addresses, stating that the moneys remaining unclaimed will be returned to the NMFA after a specified date. Upon payment of such amounts to the NMFA by the Trustee, the NMFA shall deal with such money as required by applicable law.

Covenants of the NMFA

The NMFA will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or Supplemental Indenture or in any Bond, including the following covenants and agreements:

Covenant Against Creating or Permitting Liens. Except for the pledge of the Trust Estate to secure payment of the Bonds, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that (i) nothing contained in the Indenture shall prevent the NMFA from issuing, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinated to that of the Bonds and (ii) Revenues constituting NMFA Portion of the GovernmentalGross Receipts Tax and payments of Additional Pledged Loans not needed for payments under the Indenture in any Bond Year may be released to the NMFA free and clear of the lien as provided in the Indenture.

Existence; Compliance with Laws. The NMFA shall take no action to discontinue maintenance of its existence nor to impair its rights, powers, privileges, and franchises, and shall comply will all valid and applicable laws, acts, rules, regulations, permits, orders, requirements, and directions of any legislative, executive, administrative, or judicial body which may relate to the execution and delivery of the Bonds and the performance of the NMFA's obligations under the Indenture.

No Transfer of Loan Agreements, Grant Agreements, Security Documents and Securities; Exceptions; Further Assurance. The NMFA and the Trustee shall not transfer any of the Loan Agreements, Grant Agreements, Security Documents and Securities except as specifically authorized in the Indenture in furtherance of the security for the Bonds; provided that, (i) once the Governmental Unit has repaid all amounts, if any, owing under its Loan Agreement, Grant Agreement, Securities, or Additional Pledge Loan and complied with the other provisions thereof, the NMFA and the Trustee may release such Agreement or Additional Pledge Loan and any Security Documents from the pledge created under the Indenture; and (ii) the NMFA may direct the release of any Agreement or Additional Pledged Loan from the lien and pledge of the Trust Estate under the Indenture upon the delivery to the Trustee of a Cash Flow Statement reflecting such release. Except to the extent otherwise provided in the Indenture, the NMFA shall not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners may be impaired and shall, from time to time, execute and deliver such further instruments and shall take such further action as may be required to carry out the purposes of the Indenture.

Financing Statements. The NMFA and the Trustee shall cause the Indenture to be filed as a financing statement with the Secretary of State of the State, in such manner and at such places as may be required by law fully to protect the security interest of the Owners of the Bonds and the right, title, and interest of the Trustee in and to the Trust Estate. From time to time, the Trustee may, but shall not be required to, obtain an opinion of counsel setting forth what, if any, actions by the NMFA or Trustee should be taken to preserve such security. The NMFA shall execute or cause to be executed any and all further instruments as shall reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and shall furnish satisfactory evidence to the Trustee that such actions have been taken and shall take such other action as is necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds executed and delivered under the Indenture shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel may be necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds shall have been paid.

Rights Under Loan Agreements, Grant Agreements, Security Documents and Securities. The Loan Agreements, Grant Agreements, Security Documents and Securities set forth the covenants and obligations of the Governmental Units, including provisions that, subsequent to the issuance of a Series of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions of the Indenture, the Loan Agreements, Grant Agreements, Security Documents and Securities may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Trustee in accordance with the Indenture, and reference is made to the same for a detailed statement of said covenants and obligations of the Governmental Units thereunder.

Bonds to be Tax-Exempt Obligations. The NMFA covenants and agrees to and for the benefit of the Owners that the NMFA (i) will not take any action that would cause interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the exemption from federal income taxation of interest on the Bonds. The provisions of this paragraph shall not apply to Bonds designated in the related Supplemental Indenture as bearing or accruing interest intended to be subject to Federal income taxation.

State Pledge of Non-Impairment. The State has pledged to and agreed with the Bondholders (as an obligation issued under the Act) that the State will not limit or alter the rights vested in the NMFA under the Act to fulfill the terms of the Indenture with the Bondholders or in any way impair the rights and remedies of those holders until the Bonds together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of those holders, are fully met and discharged.

Deposit and Advance of Funds.

The NMFA and the Trustee shall deposit the proceeds of the Bonds to the Accounts created under the Indenture and shall make the advances of funds thereunder to fund the Program and the NMFA shall enter into the Loan Agreements and Grant Agreements with the Governmental Units and purchase and receive the Securities and Security Documents from the Governmental Units on the terms and conditions and upon submission of the documents as provided in the Indenture.

The following restrictions shall apply to financings made by the NMFA under the Indenture

(a) The aggregate principal amount of each Loan Agreement, Grant Agreement and Security shall be in whole multiples of Authorized Denomination.

(b) Without the Approval of Bond Counsel, (i) no advance from the Program Fund shall be made or used to reimburse a Governmental Unit for amounts spent from such Governmental Unit's own funds prior to the date the Governmental Unit executed and delivered the Loan Agreement, Grant Agreement or Securities under the Program, and (ii) no Program Fund moneys shall be disbursed to refund or advance refund any obligations issued on behalf of a Governmental Unit.

(c) Each Agreement shall require that the final disbursement of moneys from the Governmental Unit's Account within the Program Fund to a Governmental Unit shall be made no later than the date which is three years after the execution and delivery of the Agreement, unless the NMFA and the Trustee have received the Approval of Bond Counsel for a later date.

(d) Each Governmental Unit shall agree not to take or permit any action which would cause the respective Agreement or the related Series of Bonds to be "arbitrage bonds" under Sections 103 and 148 of the Code.

(e) Without an Approval of Bond Counsel, no amounts disbursed from the Program Fund may be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit" within the meaning of Section 141(b)(6) of the Code.

(f) Amounts disbursed from each Governmental Unit's Account within the Program Fund shall be used to finance the costs of the related Project and related expenditures on behalf of the Governmental Unit.

(g) Each Governmental Unit shall agree to pay the Rebatable Arbitrage relating to its Accounts in the Program Fund, the Agreement Reserve Fund and the Debt Service Fund.

(h) At the time of execution and delivery of each Agreement the related Governmental Unit shall execute and deliver a certificate to the effect that the Governmental Unit (i) will not take any action that would cause the interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Agreement in order to preserve the exemption from federal income taxation of the interest on the Bonds.

The provisions of Subsections (b), (c), (d), (e), (g) and (h) shall not apply to Agreements financed with proceeds of Bonds designated as intended to bear interest subject to Federal income taxes.

Loan Agreement and Securities - Loan Payments.

The Loan Payments shall be governed by the following provisions:

(a) Principal, Program Costs and Interest Components. A portion of each Loan Payment is paid as, and represents payment of, interest (the "Interest Component") on the related Loan and payment of a Program Cost component relating to each loan (the "Program Cost Component") and the balance of each Loan Payment is paid as, and represents payment of, principal (the "Principal Component") on the related Loan, all as set forth in the related Loan Agreement or Securities. Amounts due as the Principal, Program Costs, and Interest Components of Loan Payments due under each Loan Agreement or Securities shall be paid on each Loan Payment Date. The Interest Component of Loan Payments for each Loan Agreement shall be the amount of interest based on a 360 day year comprised of twelve 30-day months, unless otherwise specified in the related Supplemental Indenture. The Program Cost Component may be included in the interest rate borne by a Loan.

(b) Loan Agreement and Securities Term. The "Term" of a Loan Agreement or Securities shall be defined in the Loan Agreement or Securities. The Term shall not exceed the useful life of the Project financed pursuant to the related Loan Agreement or Securities.

(c) Agreement Payment. Each Loan Agreement and Securities shall provide that the related Governmental Unit shall pay Loan Payments directly to the Trustee. In the case of Securities, the Securities shall be registered in the name of the Trustee or properly assigned to the Trustee on the books of any registrar for such Securities or if in bearer form delivered to and held by the Trustee.

(d) Prepayments. The Loan Agreements and Securities may contain a provision permitting the Governmental Unit to prepay the Principal Component of Loan Payments, in accordance with the provisions of the Loan Agreement and Securities by payment of Prepayments in whole on any date or in part on any Interest Payment Date, at any time when the related Series of Bonds are or are about to become subject to optional redemption upon not less than forty-five (45) days' prior written notice to the Trustee and subject to any other conditions set forth in the related Supplemental Indenture, Loan Agreement or Securities. Partial prepayments of the Principal Component of Loan Payments shall be made in multiples of the minimum Authorized Denomination. Each Prepayment shall include interest to the date upon which the Trustee has scheduled a related redemption of Bonds as provided in the related Supplemental Indenture.

(e) Use of Reserve at Final Payment. At the time of payment in full of each Loan Agreement or Securities, the applicable Agreement Reserve Account in the Agreement Reserve

Fund shall be applied toward the final payment of amounts due under the related Loan Agreement or Securities.

Establishment of Funds and Accounts

There is established in the Indenture with the Trustee the following funds and accounts within funds, each of which shall be held, for the term of the Indenture, in Accounts segregated from all other moneys of the Trustee or the NMFA.

(a) a Program Fund and within such fund a separate Account for each Agreement;

(b) a Debt Service Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

(d) an Agreement Reserve Fund and within such fund, a separate Account for each Agreement which contemplates the establishment of an Agreement Reserve Account;

(e) an Expense Fund;

(f) a Rebate Fund and within such fund a separate Account for each Agreement; and

(g) a Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund (herein the "Revenue Fund") established as an account of the Public Project Revolving Fund.

In addition to the foregoing, with respect to Additional Pledged Loans the Trustee may, as directed in a Supplemental Indenture, establish subaccounts within the Program Fund, the Agreement Reserve Fund or the Debt Service Fund for such Additional Pledged Loans.

Flow of Funds

All Funds shall be accounted for and maintained by the NMFA in the Funds and Accounts established in the Indenture. Each Fund and Account shall be kept separate and apart from all other Funds and Accounts of the NMFA. The Funds shall be expended and used by the NMFA only in the manner of order and priority specified below:

Program Fund.

(a) Upon the issuance of a Series of Bonds the Trustee shall deposit the amount specified in the related Supplemental Indenture in the Program Fund and shall allocate such amount to the respective Accounts within the Program Fund as provided in each Agreement. Disbursements from each Account within the Program Fund shall be made as provided below and may be made in stages.

(b) Disbursements from each Account within the Program Fund with respect to an Agreement with a Governmental Unit shall (except for amounts to be used for capitalized interest on the Loan and as may be directed in a Supplemental Indenture with respect to Grants) only be made upon the delivery to the Trustee of a requisition substantially in the form attached to each Agreement signed by an Authorized Officer of the Governmental Unit, as applicable: (1) stating the name and address of the payee, the amount to be paid and the purpose of the payment; (2) certifying that the amount to be paid is for costs of the Project and is due and payable, has not been the subject of any previous requisition and is a proper charge against the Account within the Program Fund pursuant to this Paragraph (b); (3) certifying that all representations contained in the Agreement and the related documents remain true and correct and that the Governmental Unit is not in breach of any of the covenants contained therein; and (4) in the case of the final requisition, certifying that payment of costs of the Project is complete or that the Governmental Unit shall, and understands its obligation to, complete the acquisition or construction of the Project from other legally available funds.

(c) Without an Approval of Bond Counsel and except with respect to Agreements relating to Bonds designated in the related Supplemental Indenture as bearing or accruing interest subject to federal income taxation, no disbursement shall be made from the Governmental Unit's Account in the Program Fund:

(i) to reimburse the Governmental Unit's own funds for expenditures made prior to the date on which the governing body of the Governmental Unit executed and delivered the Agreement,

(ii) to refund or advance refund any obligations issued by or on behalf of the Governmental Unit, or

(iii) to be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit," within the meaning of Section 141(b)(6) of the Code.

(d) Moneys in the Governmental Unit's Account in the Program Fund following the payment of amounts due for the costs of the Project may be transferred to such Governmental Unit's Account in the Debt Service Fund for application to the payment of the principal of and interest on the Loan or the Prepayment of the Principal Component of the Loan Agreement or Securities and a related redemption of Bonds, as provided in the related Supplemental Indenture.

(e) The Trustee shall keep the Program Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

(f) Investment earnings on amounts held in each Account of the Program Fund shall be retained in such Account of the Program Fund and used as provided herein as other amounts on deposit therein or to be deposited to the Rebate Account.

(g) Moneys deposited in the Program Fund for the payment of capitalized interest on the Loan may be disbursed by the Trustee to the appropriate account in the Debt Service Fund to pay interest on the related Loan during construction of the related Project.

(h) If directed in the related Supplemental Indenture, amounts to be used to fund Grants may, in lieu of deposit to the Program Fund, be disbursed to the Governmental Unit upon the issuance of the related Series of Bonds.

(i) Proceeds of Additional Pledged Loans deposited to a separate subaccount of the Governmental Units Account within the Program Fund shall be accounted for and used as described above with respect to proceeds of Bonds; provided that the provisions of paragraph (c) above shall not apply to such amounts.

Application of Loan Payments.

The flow of funds is discussed in the forepart of this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS - Flow of Funds."

Pursuant to the Supplemental Indenture authorizing the Series 2000A Bonds, the payments required to be made by the 2000A Governmental Unit pursuant to the 2000A Agreement are to be paid directly to the Trustee from the New Mexico Taxation and Revenue Department pursuant to an Intercept Agreement between NMFA and the 2000A Governmental Unit, and the Trustee is to deposit all such payments immediately upon receipt thereof as follows:

(i) moneys identified by the NMFA as being from the receipt of the Correctional Facility Tax shall be deposited into the Series 2000A Correctional Facility Tax Account and moneys identified by the NMFA as being from the receipt of the 2000A Governmental Unit Gross Receipts Tax shall be deposited into a Series 2000A Governmental Unit Gross Receipts Tax Account, both in the Series 2000A Tax Revenue Fund;

(ii) moneys on deposit in the Series 2000A Correctional Facility Tax Account shall be applied as follows:

First: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the 2000A Agreement;

Second: to the extent moneys are available for such purpose, to the payment of Program Costs;

Third: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Agreement Reserve Fund until such time as the balance on deposit in said Account equals the Agreement Reserve Requirement of such Account; and

Fourth: to the extent moneys are available for such purpose, to the Series 2000A Correctional Facility Tax Redemption Fund to annually redeem Series 2000A Bonds on or as soon as is reasonably practicable after June 2 from moneys deposited prior to the preceding June 1 in accordance with the Supplemental Indenture. Any excess Correctional Facility Tax revenues not applied to redemption shall be returned to the 2000A Governmental Unit Debt Service Account.

(iii) moneys on deposit in the Series 2000A Governmental Unit Gross Receipts Tax Account shall be applied as follows:

First: to the extent moneys from the Series 2000A Correctional Facility Tax Account deposited into the 2000A Governmental Unit Debt Service Account and the 2000A Governmental Unit Agreement Reserve Account in the Agreement Reserve Fund are insufficient to meet the then required principal and interest payments due or to next become due with respect to the 2000A Agreement, to the 2000A Governmental Unit's Debt Service Account the amount necessary to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the 2000A Agreement;

Second: to the extent money from the Series 2000A Correctional Facility Tax Account are insufficent to pay the 2000A Governmental Unit's share of Program Costs, an amount necessary to pay such Program Costs; and

Third: to the 2000A Governmental Unit, the balance of the moneys remaining in the Series 2000A Governmental Unit Gross Receipts Tax Account as soon as reasonably practicable after June 2 of each year.

All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), shall be deposited in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Agreement provided, however, that all earnings received on the Governmental Unit's Accounts shall be allocated solely to the benefit of such Governmental Unit. The Trustee shall notify the Governmental Unit at least fifteen (15) days prior to the due date of its next payment of Loan Payments of the amount of earnings so allocated.

In the event that the Trustee receives Prepayments under a Loan Agreement or Securities, the Trustee shall apply such Prepayments to the mandatory redemption of the Bonds or portions thereof in accordance with the related Supplemental Indenture.

At least once a year the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided, however, that with respect to Loans relating to the Series 1997 Bonds, the Series 1999A-D Bonds, the Series 2000B-C Bonds and the Series 2002A Bonds, any such excess shall be disbursed as follows:

(a) Any excess attributable to earnings on funds and accounts for the Governmental Unit shall be returned to the Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; and

(b) Any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the Series 1997 Bonds, the Series 1999A-D Bonds, the Series 2000B-C Bonds, and the Series 2002A Bonds, as applicable, shall be deposited into the Revenue Fund; and, provided further, however, that with respect to the Series 2000A Loan Agreement, any such excess shall be disbursed as provided in the second paragraph under this heading "Application of Loan Payments" above.

Amounts on deposit in the respective Account of the Agreement Reserve Fund in excess of the related Agreement Reserve Account Requirement shall be transferred at least annually to the related Account of the Debt Service Fund and credited against payments next coming due under such Loan Agreement or Securities.

Amounts on deposit in the respective Account of the Agreement Reserve Fund shall be applied toward the final payment of amounts falling due under the related Loan Agreement or Securities.

As provided in an Agreement, a Governmental Unit may (i) fund an Account in the Agreement Reserve Fund over time from deposits made by or on behalf of the Governmental Unit or (ii) may use any reserve fund surety or similar investments in lieu of a cash deposit to the Agreement Reserve Fund.

Amounts on deposit in each Agreement Reserve Account, if any, secure only the payments to be made under the related Agreement and may not be applied toward payments under any other Agreement or toward payment of the Bonds, except to the extent that amounts are due and owing under the related Agreement and amounts are not otherwise available for such payments in the related Account of the Debt Service Fund.

All moneys held by the Trustee in the Bond Fund shall be applied in accordance with the Indenture to pay the principal or redemption price of Bonds as they mature or become due, upon surrender thereof, and the interest on Bonds as it becomes payable. There shall be deposited into the Bond Fund all accrued interest received, if any, at the time of the execution, sale and delivery of the Bonds. Amounts remaining on deposit in the Bond Fund at the end of each Bond Fund Year and after payment of all amounts due on the Bonds for such Bond Fund Year shall be transferred to the Revenue Fund.

Investment of Moneys

Any moneys held as part of a Governmental Unit's Account in any of the Funds established under the Indenture shall be invested and reinvested by the Trustee at the direction of the related Governmental Unit in Permitted Investments in accordance with the following provisions.

Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in the related Debt Service Account is insufficient to pay the principal of and premium, if any, and interest on the related Loan Agreement or Securities when due. In the absence of an appropriate direction from a Governmental Unit as to investment of funds, the Trustee shall invest and reinvest such amounts in a daily money market fund which invests only in United States Government Obligations.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund or the Bond Fund shall be invested and reinvested by the Trustee at the direction of the NMFA only in Permitted Investments in accordance with the Indenture. Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of the investments on deposit in the Bond Fund whenever the cash balance in the Bond Fund is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due.

All such investments shall at all times be a part of the account or fund from where the money used to acquire such investments was deposited and all gains thereon shall be credited to, and losses thereon shall be charged against, such accounts or funds except as expressly provided to the contrary in the Indenture.

All investments shall mature, or be subject to repurchase, withdrawal without penalty, or redemption at the option of the owner on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes of the Indenture.

The principal of the investments and the interest, income, and profits received in respect thereof shall be applied as follows:

(i) all interest, income, and profits received in respect of the investment of the amounts on deposit in a Governmental Unit's Account in any of the Funds established under the Indenture shall (after deduction of any losses) be retained in the applicable Governmental Unit's Account from which the investment was derived (except as otherwise required with respect to the Agreement Reserve Fund and deposits to be made to the Rebate Fund); and

(ii) all interest, income, and profits received in respect of the investment of the amounts on deposit in the Revenue Fund, the Rebate Fund or the Bond Fund shall (after deduction of any losses) be retained in such Fund; and

(iii) whenever any other transfer or payment is required to be made from any particular Fund or Account, such transfer or payment shall be made from such combination of maturing principal, redemption, or repurchase prices, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any permitted investments to be redeemed, withdrawn, or sold, and any penalties, gains, or losses to be realized upon any such redemption, withdrawal, or sale.

The Trustee shall not be accountable for any depreciation in the value of the Permitted Investments or any losses incurred upon any authorized disposition thereof.

Method and Frequency of Valuation. In computing the amount in any fund or account, Permitted Investments shall be valued at least annually at cost, including commissions and accrued interest but excluding interest accrued following acquisition.

Defeasance

When there shall have been paid, or there shall be provisions for payment made to or for the holders and Owners of the Bonds, the principal of and premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein, and if there shall have been paid to the Trustee and any paying agents all sums of money due or to become due according to the provisions of the Indenture, then the presents and the estate and rights granted by the Indenture shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture and on demand of the NMFA shall execute such documents to evidence such release as shall be reasonably required by the NMFA and shall turn over to the NMFA all balances held by the Trustee under the Indenture (other than amounts required for return to the Governmental Units as provided in the Indenture).

Any Bond shall be deemed to be paid within the meaning of and for all purposes of the Indenture when (a) payment of the principal of and the applicable premium, if any, on such Bond, whether at maturity or prior redemption plus interest thereon to the due date thereof, either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent shall have irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, and/or (2) noncallable Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or noncallable Governmental Obligations.

Notwithstanding anything in the Indenture to the contrary, all moneys so deposited with the Trustee (or other escrow agent) as provided in the defeasance provisions of the Indenture may at the direction of the NMFA also be invested and reinvested in noncallable Governmental Obligations, maturing in the amounts and at times as hereinbefore set forth, and all income from all noncallable Governmental Obligations in the hands of the Trustee which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Revenue Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

All moneys or noncallable Governmental Obligations set aside and held in trust pursuant to the defeasance provisions of the Indenture for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and noncallable Governmental Obligations have been so set aside in trust.

Neither the obligations nor the moneys deposited with the Trustee (or other escrow agent) pursuant to the defeasance provisions of the Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal or redemption price of, and interest on, the Bonds or portions thereof.

Whenever moneys or obligations shall be deposited with the Trustee (or other escrow agent) for the payment or redemption of any Bonds more than sixty (60) days prior to the date that such Bonds are to mature or be redeemed, the Trustee shall mail a notice stating that such moneys or obligations have been deposited and identifying the Bonds for the payment of which such moneys or obligations are being held, to all Owners of Bonds for the payment of which such moneys or obligations are being held.

No such deposit under the defeasance provisions of the Indenture shall be made or accepted under the Indenture and no use made of any such deposit unless the Trustee shall have received an Approval of Bond Counsel to the effect that such deposit and use would not cause the Bonds to be treated as arbitrage bonds within the meaning of Sections 148 of the Code.

Notwithstanding anything in the Indenture to the contrary, if moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to the defeasance provisions of the Indenture for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture shall be made without the consent of the Registered Owner of each Bond affected thereby.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on any Series of Bonds shall be paid by a bond insurer with respect to such Series of Bonds pursuant to a municipal bond insurance policy, the Bonds of such Series shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the NMFA, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the NMFA to the Registered Owners of such Series of Bonds shall continue to exist and shall run to the benefit of such bond insurer, and such bond insurer shall be subrogated to the rights of such Registered Owners of such Series of Bonds.

Default Provisions and Remedies of the Trustee and Owners

Events of Default Defined. Each of the following events is an "Event of Default" under the Indenture:

(a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable; or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund hereunder or otherwise; or

(c) if the NMFA shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the NMFA, appointing a receiver or custodian for any of the Revenues of the NMFA, or approving a petition filed against the NMFA seeking reorganization of the NMFA under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the NMFA shall not be vacated or discharged or stayed on appeal within 30 days after the entry thereof; or

(e) if any proceeding shall be instituted, with the consent or acquiescence of the NMFA, for the purpose of effecting a composition between the NMFA and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or

(f) if (i) the NMFA is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the NMFA, a receiver, Trustee or custodian of the NMFA or of the whole or any part of their property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the NMFA shall file a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the NMFA or of the whole or any substantial part of the property of the NMFA, and such custody or control shall not be terminated within 30 days from the date of assumption of such custody or control; or

(i) if the NMFA shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or the Indenture or any Supplemental Indenture on the part of the NMFA to be performed, other than as set forth above in this section and such Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the NMFA by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Remedies of the Trustee. If an Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name:

(a) by mandamus or other action or proceeding or suit at law or in equity enforce the rights of the Owners of the Bonds under the Indenture, including enforcing any rights under the Agreements and Security Documents and the provisions of the Indenture for the benefit of the Owners of the Bonds against the NMFA and any related Governmental Unit, and compel the NMFA and any related Governmental Unit, to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained in the Indenture or in any Agreement (including the appointment of a receiver); or

(b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) intervene in judicial proceedings that affect the Bonds, the Agreements or the security therefor; or

(d) exercise any or all remedies permitted under the Agreements or Security Documents; or

(e) cause the NMFA or any related Governmental Unit to account as if it were the Trustee of an express trust for all of the Revenues or Agreement Pledged Revenues, pledged under the Indenture or pursuant to the Agreements and any Security Documents.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any subsequent default or breach of duty or contract. No delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Owners, the Trustee, the Owners, the NMFA, and the Governmental Units shall be restored to the former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or the Owners under the Indenture is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing in law or in equity or by statute or otherwise and may be extended without exhausting and without regard to any other remedy conferred by any law.

No Liability by the Governmental Units to the Owners. Except for the payment when due of the Loan Payments and the performance of the other agreements and covenants required to be performed by it contained in the Agreements and Security Documents, the Governmental Units will not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Loan Payments, by the Trustee, or with respect to the performance by the NMFA of any right or obligation required to be performed by it contained in the Indenture or for the performance by any other Governmental Unit of such other Governmental Unit's obligations under an Agreement or Security Documents.

Limitation of Owners' Right to Bring Suit. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, for the appointment of a receiver or Trustee or for any other remedy, at law or in equity, unless;

(a) such Owner has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Owners of not less than a majority of the aggregate principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture;

(c) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

It being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of the Indenture or the rights of any other Owners or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all Bond Owners. Notwithstanding the foregoing, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of interest on such Bond when due in accordance with the terms of the Bonds and the Indenture and the principal of such Bond at the stated maturity of the Bonds and to institute suit for the enforcement of any such payment in accordance with the provisions of the Indenture and such rights shall not be impaired without the consent of such Owner.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee, provided that such direction shall not be in conflict with any rule of law or with the Indenture or unduly prejudice the rights of minority Owners of Bonds.

Application of Funds Upon Default. All moneys received by the Trustee or by any receiver pursuant to any right given or action taken under the default provisions of the Indenture or under the provisions of the related Agreements, shall, after payment of the reasonable costs and fees of, and the reasonable expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited during the continuance of an Event of Default (other than moneys deposited to the Bond Fund for the payment of Bonds which have previously matured or otherwise become payable prior to such Event of Default), together with all moneys in the Funds maintained by the Trustee under the Indenture, shall be applied as follows;

(a) Unless the principal of all Bonds shall have become due and payable, all such moneys shall be applied, as follows:

> First: To the payment to the persons or entity entitled thereto of all installments of interest then due on the Bonds, in the order of maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably according to the

amounts due on such installment, to the persons or entity entitled thereto without any discrimination or privilege;

Second: To the payment to the persons or entity entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for prepayment for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on such Bonds at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons or entities entitled thereto without any discrimination or privilege;

Third: To be held for the payment to the persons entitled thereto as the same shall become due of the principal of, the premium, if any, and interest on the Bonds which may thereafter become due at maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with the interest on overdue principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bonds over any other certificates, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such moneys it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such date and of the Special Record Date in accordance with the Indenture. The Trustee shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate principal amount of all the Bonds then outstanding in respect of which Default in the payment of principal and interest exist, or (b) a majority in aggregate principal amount of the Bonds then Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any Event of Default in the payment of the principal of any Bonds at the date of maturity specified therein, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee and the Registered Owners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

SUPPLEMENTAL INDENTURES

Supplemental Indentures Not Requiring Consent of Owners. The NMFA and the Trustee may, without consent of, or notice to, any of the Owners enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(a) To provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;

(b) To cure any ambiguity or formal defect or omission in the Indenture;

(c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee;

(d) To subject to the Indenture additional revenues, properties or collateral;

(e) To evidence the appointment of a separate Trustee or paying agent or the succession of a new Trustee or paying agent under the Indenture;

(f) To make any other change which in the judgment of the Trustee is not materially adverse to the interests of the Trustee or any of the Owners;

(g) To make any amendments with the prior written confirmation from the Rating Agency that such amendments will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment; and

(h) To add additional covenants of the NMFA or any Governmental Unit or to surrender any right or power conferred upon the NMFA in the Indenture or any Governmental Unit or to grant additional powers or rights to the Trustee.

Supplemental Indentures Requiring Consent of Owners. Exclusive of supplemental indentures covered by the foregoing section and subject to the following terms and provisions and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the NMFA and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the NMFA for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in this section or in the foregoing section shall permit, or be construed as permitting, (i) an extension of the maturity of the principal of, or the interest on, any Bond, or (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures, or (v) permit the creation of any lien ranking prior to the lien of the Indenture on the Trust Estate or any part thereof, or (vi) deprive the Owner of any Bond then outstanding of the lien created by the Indenture on the Trust Estate without the prior consent of 100% of the holders of the Bonds affected by such supplemental indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which adversely affects the Trustee's rights, duties or immunities under the Indenture or the Agreements.

If at any time the NMFA shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given by registered or certified mail to the owner of each Bond shown by the list of Owners kept at the office of the Trustee. Such notices shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Owners. If, within one hundred twenty (120) days or such longer period as the holders of not less than a majority in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Governmental Units from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Amendment of Agreements and Security Documents.

(a) The NMFA shall have the right to amend an Agreement and any existing Security Documents with the Consent of the Trustee and the related Governmental Unit without Bond Owners' consent, for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred upon the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in the Indenture or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgement of the Trustee shall not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

(b) If the NMFA or a Governmental Unit propose to amend an Agreement or related Security Documents in a manner not contemplated by (a) above the Trustee shall notify the Owners of the Bonds of the proposed amendment and may consent thereto with the consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding.

Fees, Charges and Expenses of the Trustee

Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond for the Trustee's advances, fees, costs and expenses incurred.

Provisions With Respect to Series 2002A Bond Insurance Policy

Amendments. The NMFA will provide to the Series 2002A Bond Insurer notice of any supplemental indentures entered into as described under the caption "Supplemental Indentures Not Requiring Consent of Owners" herein. The NMFA must obtain the Series 2002A Bond Insurer's consent prior to the execution of any supplemental indentures entered into as described under the caption "Supplemental Indentures Requiring Consent of Owners" herein.

Defaults. The Series 2002A Bond Insurer, acting alone, shall have the right to direct all remedies with respect to the Series 2002A Bonds upon an Event of Default. The Series 2002A Bond Insurer shall be recognized as the registered owner of each 2002A Bond which it insures for the purposes of exercising all rights and privileges available to bondholders of Series 2002A Bonds. For Series 2002A Bonds which it insures, the Series 2002A Bond Insurer shall have the right to institute any suit, action, or proceeding at law or in equity under the same terms as a bondholder of a Series 2002A Bond in accordance with applicable provisions of the governing documents. Other than the usual redemption provisions, any acceleration of principal payments must be subject to the Series 2002A Bond Insurer's prior written consent.

APPENDIX C

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE

The following economic and demographic information is furnished for information only. The Bonds do not constitute a general obligation of the State and are special obligations of NMFA payable solely from the Trust Estate. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000B-C BONDS."

Generally

The State of New Mexico (the "State") was admitted as the forty-seventh state on January 6, 1912. It is the fifth largest state, containing approximately 121,593 square miles.

The State's climate is characterized by sunshine and warm, bright skies in both winter and summer. Every part of the State receives no less than 70% sunshine year-round. Humidity ranges from 60% (mornings) to 30% (afternoons). Evenings are crisp and cool in all seasons because of the low humidity.

The State has a semiarid subtropical climate with light precipitation. Thunderstorms in July and August bring most of the moisture to the State. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains).

Governmental Organization

The State's government consists of the three branches characteristic of the American political system: executive, legislative and judicial. The executive branch is headed by a governor, who is elected for a four-year term. A governor may succeed himself in office only once. Following a reorganization plan implemented in 1978 to reduce and consolidate some 390 agencies, boards and commissions, the primary functions of the executive branch are now carried out by seventeen cabinet departments, each headed by a cabinet secretary appointed by the Governor.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected to four-year terms, and members of the House to two-year terms. The Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to sixty calendar days in odd-numbered years and thirty calendar days in even-numbered years. In addition, special sessions of the Legislature may be convened by the Governor and, under certain limited circumstances, extraordinary sessions may be convened by the legislators. Legislators receive no salary, but do receive per diem and mileage allowances while in session or on official State business.

The judicial branch is composed of a statewide system of Magistrate and District Courts, the Court of Appeals and the Supreme Court. The District Court is the trial court of record with general jurisdiction.

Economic and Demographic Information

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the official 2000 United States Census was 1,819,046. In the 1990's, the State was the 12th fastest growing state, as the population increased 20.1 percent from the 1990 population of 1,515,069. Over the same period of time, the national population grew 13.2 percent.

Most of this population growth is occurring in or near the large cities. There are three Metropolitan Statistical Areas (MSAs) in the state. The Albuquerque MSA is comprised of Bernalillo, Sandoval and Valencia Counties; the Las Cruces MSA is in Doña Ana County; and the Santa Fe MSA includes Los Alamos and Santa Fe Counties. The fastest growing counties in the state are Torrance, Valencia, Sandoval, Lincoln, Luna and Doña Ana.

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing, and mining. In Fiscal Year 2001, the value of energy resources production(crude petroleum, natural gas and coal) was approximately $10.6 billion. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The following table presents data on employment by industry compiled by the U.S. Bureau of Labor Statistics for 2000.

Employment by Industry Group
2000

Industry	Employment
Services	371,818
Retail	90,434
Manufacturing	58,146
Public Administration	56,109
Construction	53,821
Transportation, Warehousing, Information, Communication	44,927
Finance, Insurance, Real Estate and Leasing	40,412
Mining and Utilities	30,826
Wholesale	19,668
Agriculture, Forestry, Fishing and Hunting	14,280

State of New Mexico
Wages and Salaries by Industry Sector, 1990-2000
($ in millions)

	New Mexico		United States		Percent Change		Distribution of 2000 Wages & Salaries	
	2000	1990	2000	1990	N.M.	U.S.	N.M.	U.S.
Farm Total	186,056	96,717	16,781	11,767	92.4%	42.6%	0.9%	0.3%
Non-Farm:								
Private								
Agricultural Services, Forestry & Fishing	141,363	62,487	30,886	15,164	126.2%	103.7%	0.6%	0.6%
Mining	670,244	507,579	31,219	26,655	32.0%	17.1%	3.1%	0.6%
Construction	1,332,639	579,948	256,807	140,468	129.8%	82.8%	6.1%	5.3%
Manufacturing	1,655,566	997,281	830,026	561,384	66.0%	47.9%	7.6%	17.2%
Transportation & Public Utilities	1,355,344	869,235	313,333	179,390	55.9%	74.7%	6.2%	6.5%
Wholesale Trade	950,063	551,728	332,549	189,402	72.2%	75.6%	4.4%	6.9%
Retail Trade	2,454,562	1,320,835	449,642	264,791	85.8%	69.8%	11.3%	9.3%
Finance, Insurance & Real Estate	1,026,612	544,043	431,911	207,758	88.7%	107.9%	4.7%	8.9%
Services	6,157,282	2,991,912	1,382,404	644,429	105.8%	114.5%	28.3%	28.6%
Total Private	15,743,675	8,425,048	4,058,777	2,229,441	86.9%	82.1%	72.3%	84.0%
Government								
Federal, Civilian	1,281,899	916,102	135,011	99,598	39.9%	35.6%	5.9%	2.8%
Military	472,396	440,596	50,520	46,332	7.2%	9.0%	2.2%	1.0%
State & Local	4,104,359	2,414,368	572,880	356,505	70.0%	60.7%	18.8%	11.9%
Total Government	5,858,654	3,771,066	758,411	502,435	55.4%	50.9%	26.9%	15.7%
Non-Farm Total:	21,602,329	12,196,114	4,817,188	2,731,876	77.1%	76.3%	99.1%	99.7%
TOTAL:	21,788,385	12,292,831	4,833,969	2,743,643	77.2%	76.2%	100.0%	100.0%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

State of New Mexico
Civilian Labor Force, Employment and Unemployment in New Mexico and the United States, 1999-2000

	Civilian Labor Force (000)		Number Employed (000)		Unemployment Rate		
Year	N.M.	U.S.	N.M.	U.S.	N.M.	U.S.	NM as % of U.S. Rate
1990	708	125,840	662	118,793	6.5%	5.6%	116%
1991	726	126,346	674	117,718	7.1%	6.8%	104 %
1992	741	128,105	689	118,492	7.0%	7.5%	93%
1993	756	129,200	698	120,259	7.7%	6.9%	112%
1994	778	131,056	729	123,060	6.3%	6.1%	103 %
1995	791	132,304	741	124,900	6.3%	5.6%	113%
1996	798	133,943	734	126,708	8.1%	5.4%	150%
1997	814	136,297	763	129,558	6.3%	4.9%	129%
1998	831	137,673	780	131,463	6.2%	4.5%	138%
1999	809	139,368	764	133,488	5.6%	4.2%	133%
2000	833	140,863	792	135,208	4.9%	4.0%	123%

Source: New Mexico Department of Labor, Bureau of Labor Statistics

[remainder of page intentionally left blank]

State of New Mexico
Per Capita Personal Income in New Mexico
and the U.S., 1980-1999

	Per Capita Income			Annual % Change	
Year	New Mexico	U.S.	N.M. as % of U.S.	New Mexico	U.S.
1990	14,497	19,191	76%	6.4%	5.6%
1991	15,096	19,689	77%	4.1%	2.6%
1992	15,791	20,631	77%	4.6%	4.8%
1993	16,627	21,365	78%	5.3%	3.6%
1994	17,150	22,056	78%	3.1%	3.2%
1995	18,029	23,059	78%	5.1%	4.5%
1996	18,634	24,164	77%	3.4%	4.8%
1997	19,298	25,288	76%	3.6%	4.7%
1998	19,936	26,412	75%	3.3%	4.4%
1999	21,836	27,269	80%	9.5%	3.2%
2000	22,203	29,676	75%	1.7%	8.8%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

[remainder of page intentionally left blank]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

CERTAIN INFORMATION CONCERNING THE GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES

Pursuant to the Continuing Disclosure Undertaking to be executed in connection with the Series 2002A Bonds, the NMFA agrees to provide with respect to any Governmental Unit whose Loan repayment obligations constitute more than 5% of the estimated annual Revenues in any year when the Series 2002A Bonds are outstanding (the "5% test"), information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Pledged Revenues and audited financial statements for any Governmental Unit meeting the 5% test. Currently the Energy, Minerals and Natural Resources Department, and the City of Albuquerque, New Mexico are the only Governmental Units whose Loan repayment obligations meet the 5% test.

Energy, Minerals and Natural Resources Department of the State of New Mexico

Generally

The Energy, Minerals and Natural Resources Department ("EMNRD") is a cabinet-level department within the executive branch of government of the State of New Mexico (the "State") established by the State Legislature in 1987. It is administered by a cabinet Secretary who is appointed by the Governor with the consent of the State Senate. EMNRD consists of six divisions, including the State Parks Division (the "Division") which is responsible for developing, maintaining, managing and supervising all state parks and state-owned or state-leased recreation areas.

Security for Payments on NMFA-Purchased Securities

Generally

Twenty-five percent (25%) of the net governmental gross receipts tax which is imposed pursuant to Section 7-1-6.38 NMSA 1978, is allocated to EMNRD. Of this 25% portion, 60% (the "EMNRD Portion of the Governmental Gross Receipts Tax") is distributed to the EMNRD for State park and recreational area capital improvements. The EMNRD currently has outstanding its State Parks Division Revenue Bonds, Series 1995A, Series 1995B, Series 1996A, Series 1996B, Series 1997A, Series 1997B, Series 1998A and Series 1998B (collectively the "EMNRD Securities"). All of the outstanding EMNRD Securities have been purchased by the NMFA. The EMNRD Securities are secured by a first, but not necessarily an exclusively first, pledge of the EMNRD Portion of the Governmental Gross Receipts Tax collections. For certain information concerning the Governmental Gross Receipts Tax, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002A BONDS - Revenues -The Governmental Gross Receipts Tax." The NMFA believes that the EMNRD Portion of the Governmental Gross Receipts Tax will provide sufficient funds for the payment of the debt service on the outstanding EMNRD Securities when due.

Set forth below is information concerning the EMNRD Portion of the Governmental Gross Receipts Tax for the fiscal years 1996-1997 through 2000-2001 and coverage of the EMNRD Securities held by the NMFA.

EMNRD Portions of the Governmental Gross Receipts Tax
Fiscal Years 1996-1997 through 2000-2001

	Fiscal Year 1996-1997	Fiscal Year 1997-1998	Fiscal Year 1998-1999	Fiscal Year 1999-2000	Fiscal Year 2000-2001
EMNRD Portion of the Government Gross Receipts Tax	$2,456,767	$2,546,846	$2,789,121	$2,905,934	$3,149,183
Debt Service on Parity EMNRD Obligations to NMFA	570,131	964,688	1,338,966	1,398,567	1,629,800
Debt Service Coverage	4.31	2.64	2.08	2.08	1.93

Parity Obligations

As of the date of issuance of the Series 2002A Bonds the only obligations payable from the EMNRD Portion of the Governmental Gross Receipts Tax are the EMNRD Securities which have all been issued with a parity lien on the EMNRD Portion of the Governmental Gross Receipts Tax. The EMNRD Securities are currently outstanding in the aggregate principal amount of $18,602,782.

Pursuant to the proceedings authorizing the issuance of the 1999 Securities, additional parity obligations may be issued if (i) all payments required to be made by the EMNRD into its accounts of the Debt Service Fund and the Agreement Reserve Fund have been made; (ii) no default exists in connection with any of the covenants or requirements set forth in such proceedings; (iii) the EMNRD Portion of the Governmental Gross Receipts Tax received or credited to the Division for the fiscal year, or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such parity obligations, shall have been sufficient to pay an amount representing 135% of the combined maximum aggregate annual debt service requirement coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor); and (iv) an appropriately pledged reserve fund for such parity obligations has been provided for and funded. The EMNRD and the Division may not issue bonds or other obligations payable from the EMNRD Portion of the Governmental Gross Receipts Tax having a lien thereon prior and superior to the outstanding EMNRD Securities.

City of Albuquerque, New Mexico

Generally

Albuquerque is the largest city in the State, accounting for roughly one-quarter of the State's population. Located at the center of the State in Bernalillo county at the intersection of two major interstate highways and served by both road and air, Albuquerque is the major trade, commercial and financial center of the State.

Security for Payments on NMFA Loans

Special Assessment District Loans

The City of Albuquerque has created a number of special assessment districts within the City pursuant to statutory procedures and in compliance with City policies. The districts make needed infrastructure improvements, such as street, storm drainage, sanitary sewer, water, electric line and gas line improvements, and assess the costs thereof against the property benefitting from such improvements. The assessments have a lien on each parcel of land in the district as to the respective amounts relating to such parcel, which lien has a priority on the land equal to the lien thereon for general and ad valorem taxes and superior to all other liens, claims and taxes.

Pursuant to a Tax Exempt Loan Agreement in the amount of \$11,568,376 and a Taxable Loan Agreement in the amount of \$788,685, both entered into on July 27, 2000 between Albuquerque and the NMFA, Albuquerque has pledged to the NMFA the money collected from its Special Assessment District No. 226 ("District 226"). District 226 provides infrastructure improvements to 29 streets, all within Albuquerque City Council District No. 1 and comprised of portions of the Knolls at Paradise Hills (located north of Congress Avenue and east of Golf Course Road).

Pursuant to a Loan Agreement in the amount of \$3,867,500 entered into on December 15, 2000 between Albuquerque and the NMFA, Albuquerque has pledged to the NMFA the money collected from its Special Assessment District No. 225 ("District 225"). District 225 provides infrastructure improvements to the Paradise Heights - Unit 1 Subdivision within the northwest quadrant of the City. District 225 is bounded on the north by the Blacks Arroyo Flood Control improvements; on the east by Seven Bar Subdivision Developments; on the south by McMahon Boulevard; and on the west by vacant land west of the lots fronting Dover and Buckboard Streets.

Pursuant to a Loan Agreement in the amount of \$2,605,539 entered into on October 26, 2001 between Albuquerque and the NMFA, Albuquerque has pledged to the NMFA the money collected from its Special Assessment District No. 222 ("District 222"). District 222 provides infrastructure improvements to a rapidly developing area within the southwest quadrant of the City very near the western City limits. District 222 is bounded on the north by Central Avenue and Sunset Gardens Road; on the east by 98th Street, 86th, 82nd, and Snow Vista Boulevard; on the south by San Ygnacio and Benavides Roads; and on the west by the Snow Vista Channel.

The City and the NMFA entered into a Loan Agreement in the amount of \$1,314,322 on May 24, 2002 relating to the City Special Assessment District No. 216 ("District 216"). District 216 provides infrastructure improvements to an area generally between AT&SF Railroad lines on the west, Montaño Road on the north, AMAFCA North Diversion Channel on the east and an extension of Aztec Road on the south. Approximately one third of the property is outside the Albuquerque Municipal Limits. Bernalillo County provides street and drainage improvements to areas lying within the County and outside the City limits.

Helicopter Loan

Pursuant to a Loan Agreement in the amount of $700,000 entered into on April 27, 2001 between Albuquerque and the NMFA, Albuquerque has pledged to the NMFA the money collected from a subordinate pledge of State-Shared Gross Receipts Tax revenues of the City for a police helicopter.

Drinking Water Loans

On May 10, 2002, the City and the NMFA entered into a $2,450,000 Drinking Water State Revolving Fund Loan Agreement and a $450,000 Public Project Revolving Fund Loan Agreement financing the construction of several chemical storage facilities at various sites as part of the City's program of converting from gas chlorination systems to onsite generation of sodium hypochlorite for water supply disinfection. The City pledged the net revenues of its water and sanitary sewer system to the repayment of these loans. Only the $450,000 PPRF Loan Agreement will be part of the PPRF program.

Pending Stadium Loans

Prior to the end of this calendar year, the City and the NMFA expect to enter into a Taxable Surcharge Loan Agreement in the approximate principal amount of $9,000,000 and a Taxable Stadium Lease Loan Agreement in the approximate principal amount of $6,000,000, both to finance the renovation of the Albuquerque Sports Stadium. The Taxable Surcharge Loan Agreement will be secured by the revenues to be collected from the City's Stadium Surcharge imposed pursuant to City Council Ordinance Enactment No. 60-2001, and equal to ten percent (10%) of Stadium receipts as described therein. The Taxable Stadium Lease Loan Agreement will be secured by all revenues derived by the City from the Albuquerque Baseball Club, LLC pursuant to the Stadium Lease Agreement dated October 2001. Both loans will also be secured by a pledge of revenues from the State of New Mexico gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, and imposed on persons engaging in business in the State. These loans will be included in the PPRF program in the future.

APPENDIX E

FORMS OF OPINIONS OF CO-BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

[Form of Opinion of Ballard Spahr Andrews & Ingersoll, LLP]

July __, 2002

New Mexico Finance Authority
409 St. Michael's Drive
Santa Fe, New Mexico 87505

Re: New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 2002A

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 2002A in the aggregate principal amount of $55,610,000 (the "Series 2002A Bonds"). The Series 2002A Bonds are being issued for the purpose of providing funds to (i) reimburse the NMFA for loans previously made to certain governmental units within the State of New Mexico (each a "Governmental Unit") to finance a public project for the use and benefit of the respective Governmental Unit, (ii) provide funding for, and reimburse the NMFA for, water and wastewater grants, and water and wastewater planning grants (the "Grant Recipients), and (iii) pay costs of issuance.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21-1 *et. seq.*, NMSA 1978, as amended and supplemented (the "Act"). The Series 2002A Bonds are authorized under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 as heretofore amended and supplemented (the "General Indenture"), and as further amended and supplemented by a Forty-Fourth Supplemental Indenture of Trust dated as of May 1, 2002 (the "Forty-Fourth Supplemental Indenture," and collectively with the General Indenture, the "Indenture") between the NMFA and Bank of Albuquerque, N.A., Albuquerque, New Mexico, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The NMFA has previously issued other series of its Public Project Revolving Fund Revenue Bonds which are outstanding under the Indenture (the "Outstanding Parity Bonds" and sometimes together with the Series 2002A Bonds, the "Bonds"). The Series 2002A Bonds are issued and secured with a lien on the Trust Estate on a parity with the lien of the Outstanding Parity Bonds on the Trust Estate.

We have reviewed the Indenture, an opinion of the office of the Attorney General of the State of New Mexico, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 2002A Bonds. The NMFA and each Governmental Unit and Grant Recipient have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2002A Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2002A Bonds. We have assumed, without undertaking to determine or confirm, continuing compliance by the NMFA and each Governmental Unit and Grant Recipient with such requirements and restrictions in rendering our opinion regarding the tax exempt status of interest on the Series 2002A Bonds.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Series 2002A Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged under the Indenture to secure the payment of the principal of and interest on the Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2002A Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a general obligation or other indebtedness of the State of New Mexico or any Governmental Unit or Grant Recipient within the meaning of any constitutional or statutory debt limitation.

4. Based on an analysis of currently existing laws, regulations, decisions and interpretations, interest on the Series 2002A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

5. Under the laws of the State of New Mexico as enacted and construed on the date hereof, interest on the Series 2002A Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2002A Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2002A Bonds; and

(c) although we have rendered an opinion that interest on the Series 2002A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2002A Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2002A Bonds.

Respectfully submitted,

[Form of Modrall, Sperling, Roehl, Harris & Sisk, P.A. Opinion]

July ___, 2002

New Mexico Finance Authority
409 St. Michael's Drive
Santa Fe, New Mexico 87505

Bank of Albuquerque, N.A.
Trust Division
201 Third Street, Suite 1400
Albuquerque, New Mexico 87102

Re: New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 2002A

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 2002A in the aggregate principal amount of $55,610,000 (the "Series 2002A Bonds"). The Series 2002A Bonds are being issued for the purpose of providing funds (i) to reimburse the NMFA for loans previously made to certain governmental units within the State of New Mexico (each a "Governmental Unit") to finance a public project for the use and benefit for the use and benefit of the respective Governmental Unit, (ii) to provide funding for, and reimburse the NMFA for, water and wastewater grants and water and wastewater planning grants; and (iii) to pay the costs of issuance of the Series 2002A Bonds.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21-1 et. seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 2002A Bonds are authorized to be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 (the "General Indenture") as previously amended and supplemented between the NMFA and a predecessor trustee, and the Forty-Fourth Supplemental Indenture of Trust dated as of May 1, 2002 (the "Forty-Fourth Supplemental Indenture") between the NMFA and Bank of Albuquerque, N.A., Albuquerque, New Mexico (the "Trustee") (collectively, the "Indenture"). Under the General Indenture, the NMFA has previously issued its Public Project Revolving Fund Revenue Bonds, Series 1995A (the "Series 1995 Bonds"), its Public Project Revolving Fund Revenue Bonds, Series 1996A, its Public Project Revolving Fund Revenue Bonds, Taxable Series 1996B (the "Series 1996 Bonds"), its Public Project Revolving Fund Revenue Bonds, Series 1997 (the "Series 1997 Bonds"), its Public Project Revolving Fund Revenue Bonds, Series 1999A-D (the "Series 1999A-D Bonds"), its Public Project Revolving Fund Revenue Bonds, Series 2000A (the "Series 2000A Bonds"), its Public Project Revolving Fund Revenue Bonds, Series 2000B and its Public Project Revolving Fund Revenue Bonds, Series 2000C (the "Series 2000B-C Bonds"). The Series 2002A Bonds are issued and secured on a parity with the Series 1995 Bonds, the Series 1996 Bonds, the Series 1997 Bonds, the Series 1999A-D Bonds, the Series 2000A and the Series 2000B-C Bonds. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, an opinion of the Attorney General of the State, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the certified proceeding and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Series 2002A Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged therefor under the Indenture, to secure the payment of the principal of and interest on Bonds subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2002A Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a debt or liability of the State of New Mexico or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2002A Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Series 2002A Bonds; and

(c) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2002A Bonds or any other offering material relating to the Series 2002A Bonds and we express no opinion relating thereto.

Respectfully submitted,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

President

Attest: ______________________

Assistant Secretary

STD-R-6
4/95

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

Recycled Paper Printed by
MAGEMASTER 800-452-5152

Supplemental Information
to Official Statement dated March 26, 2003
relating to

$39,945,000
NEW MEXICO FINANCE AUTHORITY
Public Project Revolving Fund
Revenue Bonds
Series 2003A

The maturity schedule on the inside front cover of the above-captioned Official Statement for the New Mexico Finance Authority inadvertently stated the price of the $1,736,000 Series 2003A Term Bond due June 1, 2028 (the "2028 Term Bond") as 97.678% rather than 98.263%. Information for the 2028 Term Bond follows:

$1,736,000 Series 2003A Term Bond due June 1, 2028 bearing interest at 4.750% Price 98.263%.
CUSIP Number 64711MSF5

NEW ISSUE - BOOK ENTRY ONLY

Ratings: *Moody's: Aaa*
S & P: AAA
Fitch: AAA
(See "Ratings" herein)

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2003A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. In the opinion of such Co-Bond Counsel to the NMFA, under existing laws, interest on the Series 2003A Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes. Such Co-Bond Counsel expresses no opinion regarding any other consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003A Bonds. See "TAX MATTERS."

$39,945,000
NEW MEXICO FINANCE AUTHORITY
Public Project Revolving Fund
Revenue Bonds
Series 2003A

Dated: Delivery Date June 1, as shown on inside front cover

The New Mexico Finance Authority's Public Project Revolving Fund Revenue Bonds, Series 2003A (the "Series 2003A Bonds"), are being issued as fully registered bonds in denominations of $1,000 or any integral multiple thereof. The Depository Trust Company ("DTC") will act as securities depository for all of the Series 2003A Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount and maturity of the Series 2003A Bonds will be registered in the name of Cede& Co. Individual purchases of Series 2003A Bonds will be made in book-entry form only, and beneficial owners of the Series 2003A Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Series 2003A Bonds.

The Series 2003A Bonds will be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995, as previously amended and supplemented, and as amended and supplemented by a Forty-Ninth Supplemental Indenture of Trust, dated as of March 1, 2003 (collectively, the "Indenture"), between the New Mexico Finance Authority (the "NMFA") and Bank of Albuquerque, N.A., Albuquerque, New Mexico, as Trustee. Interest on the Series 2003A Bonds is payable on June 1 and December 1 of each year, commencing on December 1, 2003, as more fully described herein. Principal of the Series 2003A Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedule set forth on the inside front cover.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER

The Series 2003A Bonds are subject to optional and mandatory redemption, and mandatory sinking fund redemption prior to maturity as more fully described herein.

The Series 2003A Bonds are being issued by the NMFA to 1) reimburse the Public Project Revolving Fund for loans made by the NMFA to or securities purchased from, the 2003 Governmental Units, and 2) reimburse the NMFA for and to finance the costs of issuance of the Series 2003A Bonds. The principal of, premium, if any, and interest on the Series 2003A Bonds are payable solely from and secured solely by the Trust Estate, which includes the NMFA Portion of the Governmental Gross Receipts Tax, certain amounts payable pursuant to agreements between the NMFA and Governmental Units heretofore and hereafter entering into agreements with the NMFA and certain moneys in funds and accounts described herein. Parity bonds have heretofore been issued and may hereafter be issued pursuant to the Indenture with a lien on the Trust Estate on a parity with the lien of the Series 2003A Bonds.

THE SERIES 2003A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE NMFA PAYABLE, TOGETHER WITH ADDITIONAL BONDS HERETOFORE OR HEREAFTER ISSUED, SOLELY FROM AND SECURED SOLELY BY THE TRUST ESTATE PLEDGED UNDER THE INDENTURE. THE SERIES 2003A BONDS DO NOT CONSTITUTE NOR CREATE A GENERAL OBLIGATION OR OTHER INDEBTEDNESS OF THE STATE OF NEW MEXICO OR ANY GOVERNMENTAL UNIT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION.

Payment of principal of and interest on the Series 2003A Bonds when due will be insured under an insurance policy to be issued concurrently with the delivery of the Series 2003A Bonds by MBIA Insurance Corporation.

MBIA

The NMFA has undertaken, for the benefit of owners of the Series 2003A Bonds, to provide certain annual and periodic disclosure as described herein under the caption "CONTINUING DISCLOSURE UNDERTAKING."

Certain legal matters will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Co-Bond Counsel to the NMFA. Certain legal matters, including certain legal matters with respect to the tax status of the interest paid on the Series 2003A Bonds, will be passed on by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Co-Bond Counsel to the NMFA. Certain legal matters will be passed on for the NMFA by the Office of the Attorney General of the State of New Mexico and for the Underwriters by Brownstein Hyatt & Farber, P.C., Albuquerque, New Mexico. Certain legal matters relating to the 2003 Governmental Units have been passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with the Series 2003A Bonds. It is expected that a single certificate for each maturity of the Series 2003A Bonds will be delivered to DTC or its agent on or about April 3, 2003. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 2003A Bonds.

RBC Dain Rauscher

George K. Baum & Company **Banc of America Securities LLC**

U.S. Bancorp Piper Jaffray Inc.

Dated: March 26, 2003

Maturity Schedule

$39,945,000
New Mexico Finance Authority
Public Project Revolving Fund
Revenue Bonds
Series 2003A

$36,359,000 Serial Bonds

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Numbers
2004	$1,303,000	2.000%	1.150%	64711 MRJ8
2005	1,536,000	2.000%	1.350%	64711 MRK5
2006	1,654,000	2.000%	1.660%	64711 MRL3
2007	1,716,000	2.050%	2.050%	64711 MRM1
2008	1,749,000	2.400%	2.500%	64711 MRN9
2009	1,846,000	3.000%	2.900%	64711 MRP4
2010	1,873,000	3.200%	3.260%	64711 MRQ2
2011	2,108,000	3.400%	3.500%	64711 MRR0
2012	1,855,000	3.550%	3.650%	64711 MRS8
2013	1,932,000	3.700%	3.800%	64711 MRT6
2014	2,152,000	3.800%	3.920%	64711 MRU3
2015	2,705,000	3.900%	4.030%	64711 MRV1
2016	1,837,000	4.000%	4.140%	64711 MRW9
2017	1,638,000	4.200%	4.260%	64711 MRX7
2018	1,357,000	4.250%	4.360%	64711 MRY5
2019	1,420,000	4.375%	4.450%	64711 MRZ2
2020	1,483,000	4.450%	4.540%	64711 MSA6
2021	1,555,000	4.550%	4.630%	64711MSB4
2022	1,634,000	4.600%	4.700%	64711MSC2
2023	1,468,000	4.650%	4.750%	64711MSD0
2024	1,538,000	4.700%	4.800%	64711MSE8

$1,736,000 Series 2003A Term Bond due June 1, 2028 bearing interest at 4.750% Price 97.678%, CUSIP Number 64711 MSF5

$1,850,000 Series 2003A Term Bond due June 1, 2032 bearing interest at 4.750 % Price 97.678%, CUSIP Number 64711 MSG3

No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than as contained in this Official Statement, in connection with the offering of the Series 2003A Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the NMFA or the Underwriters. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized or in which any person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information contained in this Official Statement has been obtained from the NMFA, certain Governmental Units and other sources which are believed by the NMFA to be reliable. The information in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the NMFA, any Governmental Unit or others since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Series 2003A Bonds have not been registered under the Securities Act of 1933, nor has the Indenture been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such Acts. The registration and qualification of the Series 2003A Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2003A Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2003A Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement contains statements relating to the NMFA's and certain Governmental Units' future financial plans, receipt of future revenues and other matters that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate”, “intend”, “anticipate”, “expect” and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

NEW MEXICO FINANCE AUTHORITY
409 St. Michael's Drive
Santa Fe, New Mexico 87505
telephone: (505) 984-1454
telecopy: (505) 984-0002

Board of Directors

Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Samuel O. Montoya, Secretary
Gary Bland
Ron Curry
Randy Harris
Rick Homans
James Jimenez
James L. McDonough
Joanna Prukop
Craig Reeves
David Stone

Executive Director

Tom K. Pollard, Ph.D.

NMFA Counsel

Office of the Attorney General
State of New Mexico

Financial Advisor

Western Financial Group, LLC
Lake Oswego, Oregon

Co-Bond Counsel

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
Albuquerque, New Mexico

Ballard Spahr Andrews & Ingersoll, LLP
Salt Lake City, Utah

TABLE OF CONTENTS

OFFICIAL STATEMENT

$39,945,000
NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS
SERIES 2003A

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale of the Public Project Revolving Fund Revenue Bonds, Series 2003A (the "Series 2003A Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2003A Bonds, together with additional bonds heretofore or hereafter issued on parity therewith, are collectively referred to herein as the "Bonds." Capitalized terms used herein and not defined have the meanings specified in the General Indenture of Trust and Pledge dated as of June 1, 1995, as heretofore supplemented and amended (the "General Indenture") between the NMFA and Bank of Albuquerque, N.A., Albuquerque, New Mexico, as successor trustee (the "Trustee"), and as further supplemented and amended by the Forty-Ninth Supplemental Indenture of Trust dated as of March 1, 2003 (the "Supplemental Indenture") between the NMFA and the Trustee and are set forth under "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - CERTAIN DEFINITIONS" in Appendix B hereto. The General Indenture and the Supplemental Indenture are collectively referred to herein as the "Indenture." See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2003A Bonds to potential investors is made only by means of the entire Official Statement.

New Mexico Finance Authority

The NMFA, established by the legislature of the State of New Mexico (the "State") in 1992, is a governmental instrumentality created to coordinate the planning and financing of state and local public projects. The NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the State, except that a legislative oversight committee is empowered to monitor and oversee its operations. For additional information concerning the NMFA, see "NEW MEXICO FINANCE AUTHORITY" herein and the financial statements included as Appendix A hereto.

Purposes of the Series 2003A Bonds; The 2003 Governmental Units; Other Governmental Units

Proceeds from the sale of the Series 2003A Bonds will be used to reimburse the NMFA for loans made by the NMFA from its public project revolving fund (the "2003 Loans") to certain Governmental Units (the "2003 Governmental Units") identified under the caption "THE PLAN OF FINANCING -Governmental Units and the 2003 Projects" herein. The 2003 Loans provided funds to the 2003 Governmental Units to pay for all or a portion of the costs of certain projects (the "2003 Projects"), as more fully described herein. For certain information concerning the 2003 Governmental Units and their respective 2003 Projects see "THE PLAN OF FINANCING - Governmental Units and the 2003 Projects" herein. The 2003 Governmental Units have each executed an individual loan agreement or issued securities for each project (the "2003 Loan Agreements"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS." The 2003 Loan Agreements, together with loan agreements, grant agreements and securities relating to parity bonds heretofore or hereafter issued, are referred to herein as the "Loan Agreements." The 2003 Governmental Units together with other governmental units heretofore or hereafter entering into Loan Agreements are herein collectively referred to as "Governmental Units." Bonds with a lien on the Trust Estate on a parity with the lien thereon of the Series 2003A Bonds have been issued previously and may be issued in the future to provide loans and grants to and to purchase securities from certain other Governmental Units. See "PLAN OF FINANCING - Governmental Units and Projects." For a description of the parity bonds currently outstanding, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS - Outstanding Parity Bonds."

Proceeds will also be used to provide funding for the payment of and the reimbursement to the NMFA for payment by the NMFA of costs of issuance of the Series 2003A Bonds.

Authority for Issuance

The Series 2003A Bonds are being issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMSA 1978, as amended (the "Act"), and the Indenture. For a description of the Public Project Revolving Fund Program, see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein.

Terms of the Series 2003A Bonds

Payments

The Series 2003A Bonds will be dated the Delivery Date. Interest on the Series 2003A Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2003. The Series 2003A Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear the interest rates shown on the inside front cover hereof.

Denominations

The Series 2003A Bonds are issuable in denominations of $1,000 or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry form only, and purchasers of the Series 2003A Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest on the Series 2003A Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2003A Bonds, all as more fully described in "THE SERIES 2003A BONDS - Book-Entry-Only System." *In reading this Official Statement, it should be understood that while the Series 2003A Bonds are in book-entry-only form, references in other sections of this Official Statement to Owners should be read to include the person for whom the Participants (as hereinafter defined) and indirect participants acquire an interest in the Series 2003A Bonds, but (i) all rights* *of ownership must be exercised through DTC and the book-entry-only system as described more fully herein, and (ii) notices that are to be given to Owners by the NMFA, the Trustee, the Registrar or the Paying Agent will be given only to DTC.*

Redemption of the Series 2003A Bonds

The Series 2003A Bonds are subject to optional and mandatory redemption and mandatory sinking fund redemption prior to maturity. See "THE SERIES 2003A BONDS - Redemption of the Series 2003A Bonds."

Security and Sources of Payment for the Series 2003A Bonds

Special, Limited Obligations

The Series 2003A Bonds are special, limited obligations of the NMFA payable solely from the Trust Estate, which includes the Revenues described below and certain funds and accounts created and maintained pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS - Special, Limited Obligations."

Revenues

Revenues are defined by the General Indenture to mean: (i) all revenues received or earned by the NMFA from or attributable to the Loan Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned on and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund). All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement) shall be deposited at least once each year in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Loan Agreement, provided, however, that all earnings received on the Governmental Units' Accounts shall be allocated solely to the benefit of such Governmental Unit. For a description of the Loan Agreements, the NMFA Portion of the Governmental Gross Receipts Tax and the Additional Pledged Loans, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS - Revenues." For a description of the funds and accounts created by the Indenture see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS - Flow of Funds." See also "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

Additional Bonds

The NMFA maintains an ongoing program to provide loans, to provide grants, and to purchase securities from Governmental Units and expects to finance those activities with the issuance of Additional Bonds on a parity with the Series 2003A Bonds. The timing, amount and other details of such parity bonds have not been determined.

The NMFA must meet certain requirements prior to the issuance of Additional Bonds or other obligations with a lien on the Trust Estate on a parity with the lien of the Series 2003A Bonds. For a description of these requirements, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS - Additional Bonds." For a discussion of the outstanding parity bonds, see "SECURITY AND

SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS - Outstanding Parity Bonds." The NMFA may not issue bonds or other indebtedness payable with a priority senior to the lien on the Trust Estate of the Bonds without the written consent of 100% of the owners of Outstanding Bonds. The NMFA has issued, and may in the future issue, indebtedness having a lien on the Trust Estate subordinate to that of the Series 2003A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS - Outstanding Subordinate Debt."

BOND INSURANCE

The principal of and interest on the Series 2003A Bonds will be insured by a municipal bond insurance policy (the "Financial Guaranty Insurance Policy") to be issued by MBIA Insurance Corporation (the "Bond Insurer") simultaneously with the issuance of the Series 2003A Bonds. For information concerning the Bond Insurer and the Financial Guaranty Insurance Policy to be issued for the Series 2003A Bonds, see "BOND INSURANCE" herein. See Appendix G for a specimen of the Financial Guaranty Insurance Policy.

Continuing Disclosure

The NMFA has undertaken for the benefit of the Bond Owners that, so long as the Series 2003A Bonds remain outstanding, the NMFA will provide certain annual financial information with respect to the NMFA and any Governmental Unit whose repayment obligations to the NMFA will represent more than 5% of the estimated annual Revenues for any year during which the Series 2003A Bonds are outstanding to each nationally recognized municipal securities information repository and notice of certain material events to the Municipal Securities Rulemaking Board (the "MSRB") in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as described in "CONTINUING DISCLOSURE UNDERTAKING."

Continuing disclosure undertakings previously entered into by NMFA called for it to file an annual report and audit with respect to the Fiscal Year ended June 30, 1997, no later than 270 days after the end of such fiscal year. In November 1998, the NMFA discovered that such report and audit had not yet been filed. On November 25, 1998, the NMFA notified the MSRB of its failure to file the report and audit and by December 15, 1998, such report and audit had been filed with the nationally recognized municipal securities information repositories (the "NRMSIRs"). The NMFA believes that it is now in compliance with its continuing disclosure undertakings.

Tax Considerations

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2003A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

In the opinion of such Co-Bond Counsel, under existing laws of the State of New Mexico as currently enacted and construed, interest on the Series 2003A Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003A Bonds.

The form of opinion to be delivered by Ballard Spahr Andrews & Ingersoll, LLP, as Co-Bond Counsel to the NMFA, is included in Appendix E hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 2003A Bonds, see "TAX MATTERS" herein.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2003A Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel to the NMFA, will deliver its opinion included in Appendix E hereto and Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, will deliver its opinion discussed under "TAX MATTERS" and also included in Appendix E hereto. Certain legal matters relating to the Series 2003A Bonds will be passed upon for the Underwriters by their counsel, Brownstein Hyatt & Farber, P.C. Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. See "LEGAL MATTERS" herein. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with its issuance of the Series 2003A Bonds. See "EXPERTS" herein.

The NMFA's financial statements for the Fiscal Year ended June 30, 2002, included in Appendix A hereto, have been audited by Neff & Ricci, LLP, certified public accountants, Albuquerque, New Mexico.

Offering and Delivery of the Series 2003A Bonds

The Series 2003A Bonds are offered when, as and if issued, subject to approval as to their legality by Co-Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each maturity of the Series 2003A Bonds will be delivered to DTC or its agent on or about April 3, 2003.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 409 St. Michael's Drive, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 2003A Bonds.

THE SERIES 2003A BONDS

Generally

Set forth below is a summary of certain provisions of the Series 2003A Bonds. Other information describing the Series 2003A Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Indenture and the Series 2003A Bonds. For a description of certain provisions of the Indenture, see "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto. Copies of the approved forms of the Indenture are available as provided in "ADDITIONAL INFORMATION" herein.

The Series 2003A Bonds are being issued pursuant to the Act, the Indenture, and a bond authorizing resolution adopted by the NMFA on December 12, 2002, and supplemented by a sale resolution adopted on March 20, 2003. The Series 2003A Bonds are being issued to reimburse the NMFA for loans made to the 2003 Governmental Units as more particularly described herein as part of the NMFA's Public Project Revolving Fund Program. For a description of such program see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein. See also "THE PLAN OF FINANCING - Sources and Uses of Funds."

Description of the Series 2003A Bonds

The Series 2003A Bonds are being issued pursuant to the Indenture and will be dated as of the Delivery Date. Interest on the Series 2003A Bonds will accrue from the Delivery Date of the Series 2003A Bonds at the rates set forth on the inside front cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), and is payable on June 1 and December 1 of each year, commencing December 1, 2003. The Series 2003A Bonds will be issued in the aggregate principal amount and will mature on the dates and in the amounts shown on the inside front cover (unless redeemed prior to maturity). The Series 2003A Bonds are issuable in denominations of $1,000 or integral multiples thereof (the "Authorized Denominations").

Book-Entry-Only System

The Depository Trust Company will act as securities depository for all of the Series 2003A Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount and maturity of the Series 2003A Bonds will be registered in the name of Cede& Co. Individual purchases of Series 2003A Bonds will be made in book-entry form only, and beneficial owners of the Series 2003A Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Series 2003A Bonds. For a more complete description of the book-entry-only system, see "BOOK-ENTRY-ONLY SYSTEM" in Appendix F hereto.

Redemption of the Series 2003A Bonds

Generally

The Series 2003A Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth below.

Optional Redemption by the NMFA

The Series 2003A Bonds maturing on or after June 1, 2014, are subject to optional redemption at any time on and after June 1, 2013, in whole or in part, in such order of maturity as may be selected by the NMFA and by lot within each maturity (if in part, in integral multiples of $1,000), at the option of the NMFA, upon notice as provided in the Indenture and at the redemption price of 100% of the principal amount of the Series 2003A Bonds to be redeemed, plus accrued interest to the redemption date, but without premium.

Mandatory Redemption upon Prepayment under a 2003 Loan Agreement

If a 2003 Governmental Unit whose 2003 Project was financed by the Series 2003A Bonds makes a Prepayment in whole or in part under its 2003 Loan Agreement, the Series 2003A Bonds which financed such 2003 Governmental Unit's 2003 Project are subject to mandatory redemption, in whole or in part, on any date on or after the date on which the Prepayment is made, in an amount equal to the Principal Component of the Prepayment, at a redemption price of 100% of the principal amount of the Series 2003A Bonds to be redeemed plus accrued interest to the redemption date. A *2003 Governmental Unit whose 2003 Project was financed by the Series 2003A Bonds shall have the option to make a Prepayment resulting in such mandatory redemption at such redemption price at any time.* The maturity dates of the Series 2003A Bonds to be redeemed shall correspond to the principal amounts and due dates of the Principal Component of such Prepayment. The Series 2003A Bonds to be redeemed within each maturity are to be selected by lot in such manner as the Trustee deems appropriate.

The NMFA or the Trustee is to recalculate the Loan Payments due under any 2003 Loan Agreement in the case of a partial Prepayment of Loan Payments under such 2003 Loan Agreement in a manner which is consistent with the manner in which the Series 2003A Bonds are redeemed. For a listing of the 2003 Projects financed by the Series 2003A Bonds see "THE PLAN OF FINANCING - Governmental Units and the 2003 Projects" herein.

Historical Mandatory Redemptions

In calendar year 1999, the NMFA received a Prepayment in the amount of $485,000. In calendar year 2000, the NMFA received no Prepayments. In calendar year 2001, the NMFA received three Prepayments in the aggregate amount of $30,000. In calendar year 2002, the NMFA received eight Prepayments in the aggregate amount of $7,770,000. In calendar year 2003 (to date), the NMFA has received four prepayments in the aggregate amount of $3,480,000. Prepayments in past calendar years are not an indication of prepayments to be received by the NMFA in future calendar years.

Mandatory Sinking Fund Redemption of the Series 2003A Term Bonds

The Series 2003A Bonds maturing on June 1, 2028, are subject to mandatory sinking fund redemption on each of the dates set forth below, at a price equal to 100% of the principal amount of each Series 2003A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2025	$421,000
2026	442,000
2027	465,000
2028+	408,000

+Final Maturity

The Series 2003A Bonds maturing on June 1, 2032 are subject to mandatory sinking fund redemption on each of the dates set forth below, at a price equal to 100% of the principal amount of each Series 2003A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2029	429,000
2030	451,000
2031	473,000
2032+	497,000

+Final Maturity

If less than all of the Series 2003A Bonds maturing on June 1, 2028 and 2032 then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA as follows: (i) if the Series 2003A Bonds are redeemed upon a Prepayment of all or a portion of a 2003 Loan Agreement relating to the Series 2003A Bonds, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments and (ii) if the Series 2003A Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

Notice of Redemption

In the event any of the Series 2003A Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2003A Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar at least 30 days, but not more than 60 days, prior to the date fixed for redemption.

In addition, further notice of any redemption of Series 2003A Bonds is to be given by the Trustee at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 2003A Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 2003A Bonds. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

If at the time of mailing of any notice of redemption there are not on deposit with the Trustee moneys sufficient to redeem all the Series 2003A Bonds called for redemption, such notice is to state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

A second notice of redemption is to be given, not later than 90 days subsequent to the redemption date, to Registered Owners of Series 2003A Bonds or portions thereof redeemed but who failed to deliver Series 2003A Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such Series 2003A Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 2003A Bonds.

Partially Redeemed Series 2003A Bonds

In case any Series 2003A Bond is redeemed in part, upon the presentation of such Series 2003A Bond for such partial redemption, the NMFA shall execute and the Trustee shall authenticate and deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the NMFA, a Series 2003A Bond or Series 2003A Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2003A Bond. A portion of any Series 2003A Bond of a denomination of more than $1,000 to be redeemed will be in the principal amount of $1,000 or an integral multiple thereof and in selecting portions of such Series 2003A Bonds for redemption, the Trustee will treat each such Series 2003A Bond as representing that number of Series 2003A Bonds of $1,000 denomination which is obtained by dividing the principal amount of such Series 2003A Bonds by $1,000.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS

Special, Limited Obligations

The Series 2003A Bonds are special, limited obligations of the NMFA payable solely from the Revenues, proceeds of the Series 2003A Bonds (until used as provided in the Indenture) and other moneys held in certain funds and accounts held by the Trustee under the Indenture (the "Trust Estate"). **The Series 2003A Bonds shall not constitute nor create a general obligation or other indebtedness of the State or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE NMFA HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2003A Bonds shall not constitute or give rise to a pecuniary liability on the part of the directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA shall impose a pecuniary liability or a charge upon the general credit or taxing power of the State or any political subdivision of the State.**

Revenues

Generally

Revenues include (i) all revenues received or earned by the NMFA from or attributable to the Loan Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the funds and accounts created under the Indenture (except the Rebate Fund). All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement) shall be deposited at least once each year in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Loan Agreement, provided, however, that all earnings received on the Governmental Units' Accounts shall be allocated solely to the benefit of such Governmental Unit. As discussed under "Flow of Funds" below, revenues received from a Governmental Unit by the Trustee on behalf of the NMFA pursuant to a Loan Agreement are deposited in a separate account of the Debt Service Fund established for that Governmental Unit and are periodically transferred by the Trustee to the Bond Fund and used to make debt service payments on the Bonds. All revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax and from any Additional Pledged Loans are transferred to the Trustee and deposited in the Revenue Fund. Moneys in the Revenue Fund are used each Bond Fund Year to pay debt service on the Bonds to the extent that moneys in the several accounts of the Debt Service Fund are insufficient and to pay debt service on the portions of the Bonds used to finance grants. At the end of each Bond Fund Year moneys in the Revenue Fund in excess of the requirements for such moneys under the Indenture are transferred to the NMFA and deposited in the Subordinate Lien PPRF Revenue Fund. These monies are no longer part of the Trust Estate. For a more complete description of the funds and accounts into which Revenues are deposited, see "Flow of Funds" below under this caption, and "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE-Funds and Accounts" in Appendix B hereto. For a more complete description of the Subordinate Lien PPRF Revenue Fund see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS – Outstanding Subordinate Debt” herein.

The Agreements and the Agreement Pledged Revenues

Generally. The Agreements consist of Loan Agreements and Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of their respective projects by the NMFA. (Under the Indenture "Agreements" also includes Grant Agreements, however the Grant Agreements contain no repayment provisions.) Under each Loan Agreement or issue of Securities, the respective Governmental Unit pledges to the NMFA for payment of all amounts due under their respective Agreements (i) revenues of specific enterprise systems or revenues attributable to certain taxes (such pledged revenues the "Agreement Pledged Revenues") and (ii) moneys in certain funds and accounts held by the Trustee. Each Governmental Unit executing a Loan Agreement or issuing Securities agrees to promptly pay principal of and interest on its loan from its Agreement Pledged Revenues and to continue such payments until its loan is paid in full.

Agreement Reserve Fund. Pursuant to the Indenture, an Agreement Reserve Fund has been created which will be held by the Trustee. Within such fund currently are accounts relating to those Governmental Units having a repayment obligation to the NMFA pursuant to a Loan Agreement or Securities for which the NMFA determined to require such accounts. Amounts in a Governmental Unit's account of the Agreement Reserve Fund will be withdrawn by the Trustee and deposited into that Governmental Unit's account of the

Debt Service Fund to the extent of any shortfall in payments by such Governmental Unit under its Loan Agreement or Securities and any associated Additional Pledged Loans. **Amounts in a Governmental Unit's account of the Agreement Reserve Fund will not be used to cover shortfalls in payments of other Governmental Units and will not otherwise be available to defray deficiencies in the Bond Fund.** See "PLAN OF FINANCING - Sources and Uses of Funds" herein and "Flow of Funds" below under this caption.

For a discussion of the separate reserve account established within the Revenue Fund see "Flow of Funds" below under this caption.

Agreements with Governmental Units.

Each Governmental Unit which has entered into a Loan Agreement (or has issued Securities) has pledged specific Agreement Pledged Revenues to the repayment of its Loan. Financial information and operating data for the City of Albuquerque, New Mexico, the only Governmental Unit whose loan repayment obligation constitutes more than 5% of the estimated annual Revenues in any year when the Series 2003A Bonds are Outstanding, is set forth in Appendix D hereto. Financial information and operating data are not set forth for any other Governmental Unit.

No Obligation of Governmental Units to Cover Shortfalls. A Governmental Unit is not required to make up any Loan Payment not paid in full by another Governmental Unit or to make up any insufficiency in the NMFA Portion of the Governmental Gross Receipts Tax.

The Governmental Gross Receipts Tax

Generally. Pursuant to Section 7-1-6.38, NMSA 1978, the NMFA is allocated 75% of all net receipts of a governmental gross receipts tax which is levied and collected pursuant to Section 7-9-4.3, NMSA 1978. For purposes of this Official Statement, the 75% net receipts which is allocated to the NMFA is referred to as the "NMFA Portion of the Governmental Gross Receipts Tax." Under the Indenture, the NMFA Portion of the Governmental Gross Receipts Tax, and payments attributable to Additional Pledged Loans, if any, shall be paid when received by NMFA to the Trustee and shall be accounted for and maintained by the Trustee in the Revenue Fund created under the Indenture within the Public Project Revolving Fund and are available (i) to pay debt service on the Bonds to the extent Loan Payments paid by the Governmental Units pursuant to the Agreements are not sufficient to pay debt service when due and (ii) to pay debt service on the portions of the Bonds issued to fund Grants. See "Flow of Funds" under this caption for additional information on the use of moneys in the Revenue Fund. See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Exhibit B hereto for certain information concerning the Revenue Fund and allocation of amounts therein to payment of principal and interest on the Bonds.

Pursuant to Section 7-9-4.3, NMSA 1978, the governmental gross receipts tax is imposed on the governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except school districts and certain health care entities.

Governmental gross receipts are defined in Section 7-9-3.2, NMSA 1978, as all receipts of the State of New Mexico or any agency, institution, instrumentality or public subdivision thereof except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services, from:

(a) the sale of tangible personal property other than water from facilities open to the general public;

(b) the performance of or admissions to recreational, athletic or entertainment services or events in facilities open to the general public;

(c) refuse collection, refuse disposal or both;

(d) sewage services; and

(e) the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the State of New Mexico.

The definition of governmental gross receipts includes receipts from the sale of tangible personal property handled on consignment when sold from facilities open to the general public, but excludes cash discounts taken and allowed, governmental gross receipts tax payable on transactions reportable for the period and any type of time-price differential.

The governmental gross receipts tax was enacted into law and first imposed in 1991. It is imposed at a rate of 5% on the governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services. In addition, the governmental gross receipts tax is not imposed on: (i) receipts from transactions involving tangible personal property or services on which the gross receipts tax, compensating tax, motor vehicle excise tax, gasoline tax, special fuel tax, special fuel excise tax, oil and gas emergency school tax, resources tax, processors tax, service tax, or the excise tax imposed under Section 66-12-6.1 NMSA 1978, is imposed; (ii) receipts from the sale of gas or electricity by a utility owned or operated by a county, municipality or other political subdivision or on receipts from operation of a cable television system owned or operated by a municipality, because those receipts are subject to the regular gross receipts tax under Section 7-9-13, NMSA 1978; (iii) receipts from selling livestock and receipts of growers, producers, trappers or nonprofit marketing associations from selling livestock, live poultry, unprocessed agricultural products, hides or pelts; or (iv) receipts from selling tickets, parking, souvenirs, concessions, programs, advertising, merchandise, corporate suites or boxes, broadcast revenues and all other products, services, or activities sold at, related to or occurring at a minor league baseball stadium on which a stadium surcharge is imposed pursuant to the Minor League Baseball Stadium Funding Act.

Deductions from the governmental gross receipts tax include: (i) certain receipts from selling tangible personal property to the United States or the State of New Mexico or any governmental unit or subdivision, agency, department or instrumentality thereof, (ii) receipts from selling tangible personal property to an Indian tribe, nation or pueblo or any governmental subdivision, agency, department or instrumentality thereof for use on Indian reservations or pueblo grants; (iii) certain receipts from the sale of tangible personal property to a person engaged in the business of manufacturing if the sale is made to a person who delivers a non-taxable transaction certificate to the seller; (iv) receipts from transactions in interstate commerce; (v) receipts from selling tangible personal property, licenses or a service for resale if the sale is made to a person who delivers a nontaxable transaction certificate to the seller; (vi) certain receipts from selling tangible personal property to entities exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended or renumbered, if the sale is made to an organization that delivers a nontaxable transaction certificate to the seller; (vii) refunds and allowances made to buyers or amounts written off the books as an uncollectible debt by a person reporting governmental gross receipts tax on an accrual basis; (viii) certain receipts from selling prosthetic devices if the sale is made to a person who is licensed to practice medicine, osteopathic medicine, dentistry, podiatry, optometry, chiropractic or professional nursing and who delivers a nontaxable transaction certificate to the seller; and (ix) receipts from the sale of prescription drugs.

Collection and Distribution Information. Governmental agencies are treated as taxpayers under the provisions of the Tax Administration Act, Section 7-1-1, et seq., NMSA 1978, and are responsible for paying the governmental gross receipts tax to the New Mexico Taxation and Revenue Department in accordance with the State's Tax Administration Act. Collections are first deposited into a tax administration suspense fund for the purpose of making disbursements for refunds, among other things. On the last day of each month, the balance in the suspense fund is identified by tax source and distributed to the appropriate municipalities or state agencies, including the NMFA. Collection of governmental gross receipts tax is administered by the New Mexico Taxation and Revenue Department. Governmental gross receipts taxes are to be paid on or before the 25th day of the month following the month in which the taxable event occurs.

Set forth below is information from the New Mexico Taxation and Revenue Department concerning collections of the governmental gross receipts tax for the fiscal years 1997-1998 through 2001-2002. There can be no assurance that governmental gross receipts tax collections will continue to grow at historical rates or otherwise.

GOVERNMENTAL GROSS RECEIPTS TAXES COLLECTIONS
Fiscal Years 1997 - 1998 through 2001 - 2002

	Fiscal Year 1997-1998	Fiscal Year 1998-1999	Fiscal Year 1999-2000	Fiscal Year 2000-2001	Fiscal Year 2001-2002
Total Net Receipts	$16,978,976	$16,897,029	$19,372,893	$20,994,555	$20,616,433
NMFA Portion of the Governmental Gross Receipts Tax	$12,734,232	$12,672,772 (1)	$14,529,670	$15,745,916	$15,462,325 (2)

(1) The actual taxes collected for the NMFA by the New Mexico Taxation and Revenue Department were approximately $1.2 million higher than reported in the audited financial statements for the 1998-1999 fiscal year. The audited financial statements do not include this higher amount because this additional amount was not received by the NMFA within 60 days of its year end, and therefore not included as revenue in accordance with Generally Accepted Accounting Principles.
(2) The NMFA believes that the decrease in governmental gross receipts tax collections in fiscal year 2001-2002 is attributable to operational changes at the University of New Mexico. See footnote (1) to the following chart entitled Eight Largest Payers of Governmental Gross Receipts Taxes Fiscal Years 1999-2000 through 2001-2002.

Set out below is information concerning the top eight payers of the governmental gross receipts tax for fiscal years 1999-2000 through 2001-2002. Such information is not publicly available from the State and has instead been obtained from each individual entity, and the NMFA does not guaranty the accuracy of any such information.

Eight Largest Payers of
Governmental Gross Receipts Taxes
Fiscal Years 1999-2000 through 2001-2002

	Fiscal Year 1999-2000		Fiscal Year 2000-2001		Fiscal Year 2001-2002	
Entity	Amount Paid	%of Total GGRT of All Entities in NM	Amount Paid	%of Total GGRT of All Entities in NM	Amount Paid	%of Total GGRT of All Entities in NM
City of Albuquerque	$6,679,102	34.48%	$7,292,312	34.73%	$7,349,606	33.60%
City of Santa Fe	1,847,947	9.54%	1,623,829	7.73%	1,716,437	7.85%
University of New Mexico	1,410,509	7.28%	1,535,237	7.31%	1,128,122[(1)]	5.16%
City of Las Cruces	925,253	4.78%	911,589	4.34%	936,567	4.28%
City of Rio Rancho	628,884	3.25%	612,096	2.92%	682,333	3.12%
City of Farmington	637,007	3.29%	662,617	3.16%	691,010	3.16%
City of Roswell	523,072	2.70%	530,539	2.53%	534,160	2.44%
County of Los Alamos	376,144	1.94%	372,289	1.77%	389,243	1.78%
City of Gallup	$249,716	N/A	N/A	N/A	344,436	1.53%
Total	$13,027,918	67.26%	$13,540,508	64.49%	$13,761,914	62.91%

(1) The University of New Mexico believes that a substantial portion of the decrease in governmental gross receipts tax collections in fiscal year 2001-2002 is attributable to 1) the outsourcing of vending services to a non-governmental entity which is not required to pay governmental gross receipts tax and 2) the restriction of access to its bookstore to enrolled students during certain time periods.

Source: Individual entities.

Additional Pledged Loans

Subject to the approval of the State Legislature, the NMFA may make loans from or purchase securities with available funds in the Public Project Revolving Fund. At its option, the NMFA may designate such loans or securities as Additional Pledged Loans (as hereinafter defined) and upon such designation the principal and interest payments on such loans or securities become pledged by the NMFA to the payment of Bonds. See "Flow of Funds," below under this caption. For the total amount of outstanding Additional Pledged Loans, as hereinafter defined, see "THE PLAN OF FINANCING - Governmental Units and the 2003 Projects."

Flow of Funds

The Indenture creates a Revenue Fund, a Bond Fund, a Debt Service Fund with separate accounts for each Governmental Unit receiving a Loan, and an Agreement Reserve Fund with a separate account, if required, for each Governmental Unit receiving a Loan that has a reserve requirement. The repayment obligations of those Governmental Units receiving Additional Pledged Loans who have also entered into Loan Agreements with or issued Securities purchased by the NMFA, payable from the same revenue source, are on parity with amounts due with respect to such Loan Agreements or Securities.

Flow of Funds Under General Indenture

All Loan Payments and other amounts paid by Governmental Units pursuant to the Loan Agreements and Securities are to be paid directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee prior to each Interest Payment Date, and the Trustee is to deposit all such payments immediately upon receipt thereof, as follows:

First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan.

Second: to the related Account, if any, in the Agreement Reserve Fund to the extent necessary to cause the balance in said Account to equal the Agreement Reserve Requirement, if any, of such Account.

Third: to the payment of Program Costs (to the extent allocable to such Agreement).

On the fifth day preceding a Loan Payment Date (or, if such fifth day is not a Business Day, on the Business Day next preceding such fifth day), if the amount on deposit in any Governmental Unit's Account of the Debt Service Fund is insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, the Trustee is to transfer from the related Agreement Reserve Account, if any, to that Governmental Unit's Account of the Debt Service Fund, an amount sufficient, together with amounts in such Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date.

On each Interest Payment Date for the Bonds, the Trustee is to transfer moneys in the respective Accounts of the Debt Service Fund to the Bond Fund to pay the interest on the related Bonds becoming due on such Interest Payment Date and to pay the principal of each related Bond due at maturity or by prior redemption, to the extent amounts are on deposit therein for such purpose. At least once each year, the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, if any, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided however, that with respect to Loans relating to the Series 1997 Bonds, the Series 1999 A-D Bonds, the Series 2000B-C Bonds, the Series 2002A Bonds or the Series 2003A Bonds any such excess shall be distributed as follows: (a) any excess attributable to earnings on funds and accounts for a Governmental Unit shall be returned to such Governmental Unit or shall be credited to the Loan Payments next coming due under such Governmental

Unit's Agreement and (b) any excess attributable to the difference in interest rates on such Governmental Unit's Loan and the Series 1997 Bonds, the Series 1999A-D Bonds, the Series 2000B-C Bonds, the Series 2002A Bonds and the Series 2003A Bonds, as applicable, shall be deposited into the Revenue Fund.

The above provisions, with respect to the flow of funds, do not apply to moneys provided pursuant to the 2000A Loan Agreement. For a description of the flow of funds with respect to the 2000A Loan Agreement, see "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Application of Loan Payments" in Appendix B hereto.

Revenue Fund

During each Bond Fund Year, all Revenues constituting receipts from the NMFA Portion of the Governmental Gross Receipts Tax and principal and interest payments from Additional Pledged Loans are to be paid by the NMFA to the Trustee prior to each Interest Payment Date and shall be accounted for and maintained by the Trustee in the Revenue Fund. On each Interest Payment Date, the Trustee (except as otherwise provided in a Supplemental Indenture) is to transfer from the Revenue Fund (including any amounts in the separate account described in the next paragraph) to the Bond Fund (i) an amount equal to the principal and interest due on such Interest Payment Date on the portion of any Bonds, the proceeds of which were used to make Grants and (ii) if the amounts on deposit in the Bond Fund are insufficient for payments coming due with respect to the Bonds on such Interest Payment Date, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the principal and interest due on the Bonds on such Interest Payment Date.

At the conclusion of each Bond Fund Year, the Trustee is to retain in the Revenue Fund, in a separate account to be created therein (to the extent of amounts remaining in the Revenue Fund), the following:

(i) an amount equal to any deficiency in any account in the Agreement Reserve Fund;

(ii) with respect to Agreements for which (A) no Agreement Reserve Account was created in the Agreement Reserve Fund and (B) a default in the payment of principal or interest under such Agreement has occurred and is continuing, an amount equal to the least of (x) 10% of the proceeds of such Agreement, (y) maximum annual debt service on such Agreement and (z) 1.25 times average annual debt service on such Agreement; and

(iii) with respect to Bonds issued to finance Grants and for which no other debt service reserve fund has been created, an amount equal to the least of (A) 5% of the proceeds of the Bonds issued to finance such Grant, (B) one-half of maximum annual debt service on the Bonds issued to finance such Grants and (c) .625 times average annual debt service on the Bonds issued to finance such Grant.

Pursuant to the Indenture, the NMFA is not required to contribute any amounts to fund the retention described in the preceding paragraph other than from amounts on deposit in the Revenue Fund at the end of each Bond Fund Year, and no default under the Indenture occurs solely by reason of any insufficiency of funds remaining in the Revenue Fund to fund such retention.

After making the foregoing deposits, at the conclusion of each Bond Fund Year, and after making the payments required by the Indenture during such Bond Fund Year, the Trustee is to transfer the balance on deposit in the Revenue Fund to the NMFA for deposit into the Subordinate Lien Revenue Fund. After the monies have been used for the purposes specified in the Subordinated Lien Indenture (hereinafter defined), the NMFA may use any remaining monies for:

(i) Public Project Revolving Fund purposes;

(ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund;

(iii) refinancing, refunding, purchasing or advance refunding of any Bonds; or

(iv) any other lawful purpose.

The balance so transferred to the NMFA and not deposited into the Bond Fund is no longer pledged to the payment of debt service on the Bonds.

Additional Bonds

Generally

Additional Bonds or other indebtedness, bonds or notes of the NMFA payable on a parity with the Bonds out of the Trust Estate may be issued or incurred, only if certain requirements have been met, including the following:

(a) NMFA must deliver to the Trustee a Cash Flow Statement, taking into account the issuance of the Additional Bonds or other indebtedness, bonds or notes. The requirements of the Cash Flow Statement are set forth under "Cash Flow Statement," below.

(b) All payments required by the Indenture to be made into the Bond Fund must have been made in full.

(c) The proceeds of the Additional Bonds or other indebtedness, bonds or notes must be used (i) to refund Bonds issued under the Indenture or other obligations of the NMFA (including the funding of necessary reserves and the payment of costs of issuance) or (ii) to make additional Loans or Grants or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance).

(d) No Event of Default shall have occurred and be continuing under the Indenture, except that the foregoing shall not preclude the issuance of Additional Bonds or other indebtedness, bonds or notes if (i) the issuance of such Additional Bonds or other indebtedness, bonds or notes otherwise complies with the requirements of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of the Additional Bonds or other indebtedness, bonds or notes and the application of the proceeds thereof.

Any of the foregoing requirements may be revised or deleted with written evidence from the Rating Agency to the effect that such revision or deletion will not result in the rating on the Outstanding Bonds being lowered.

Cash Flow Statement

Pursuant to the Indenture, "Cash Flow Statement" means a certificate of the NMFA:

(a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate, the following:

(A) the amount of the NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(B) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(C) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding; and

(b) showing that in each such Bond Fund Year the aggregate of the amount set forth in clause (A) above divided by 1.35, plus the aggregate amount set forth in clause (B) above, exceeds 100% of the aggregate of the amounts set forth in clause (C) above. For purposes of the foregoing, the following assumptions apply:

(i) The NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period during the 24 months next preceding the delivery of the Cash Flow Statement;

(ii) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(iii) Loans and Additional Pledged Loans will be assumed to remain in their current category designations throughout the period projected in the Cash Flow Statement.

For purposes of the Indenture and the Cash Flow Statement, "Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

Category of Loans and Additional Pledged Loans	Applicable Percentages
Category I	100%
Category II	80%
Category III	50%
Category IV	0%

Category I Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the third highest full rating category or higher by the Rating Agency.

Category II Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

Category III Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

Category IV Loans and Additional Pledged Loans are all Non-Performing Loans and Additional Pledged Loans, Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been replenished in accordance with the related Agreement, and Loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agency.

"Non-Performing Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a covenant default) or under which a delinquency exists in payments of principal or interest thereunder.

"Rating Agency" means Moody's Investors Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

Pursuant to the Indenture, at the time of issuance of each series of Bonds, each of the Agreements executed in connection with such issuance is required to be submitted to the Rating Agency for assignment of a designation or rating or shall be designated in Category IV by the NMFA without submission to the Rating Agency. In addition, each Additional Pledged Loan is required to be submitted to the Rating Agency for assignment of a designation or a rating or shall be designated in Category IV by NMFA without submission to the Rating Agency. At any time (including upon issuance of Additional Bonds), the category assigned to an Agreement or to Additional Pledged Loans may be revised by the Rating Agency.

Of the Agreements submitted to the Rating Agency to date (excluding the 2003 Loan Agreements), \$67.2 million have been designated Category I, \$54.5 million have been designated Category II and \$5.5 million have been designated Category III.

The formula described above may also be summarized as follows (where A = NMFA Portion of Governmental Gross Receipts Tax, B = Assumed Repayments of Loans and Additional Pledged Loans and C = Aggregate Annual Debt Service on all Bonds Outstanding):

$$(A \div 1.35) + B > C$$

No Senior Lien Obligation

No additional indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of the Revenues for payment of the Bonds shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds.

Additional Parity Obligations of Governmental Units

For a description of the restrictions, if any, governing the issuance by certain 2003 Governmental Units of additional obligations on a parity with the obligations of the 2003 Governmental Units to make payments under the 2003 Loan Agreements, see "CERTAIN INFORMATION CONCERNING THE GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES" in Appendix D. For a description of the restrictions, if any, governing the issuance by certain other Governmental Units of additional parity obligations, see "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D to the 1995 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENTAL UNITS" in Appendix D to the 1996 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1997 GOVERNMENTAL UNITS" in Appendix D to the 1997 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1999 GOVERNMENTAL UNITS" in Appendix D to the 1999 Official Statement, "CERTAIN INFORMATION CONCERNING THE COUNTY"in Appendix D to the 2000A Official Statement, "CERTAIN INFORMATION CONCERNING THE 2000B-C GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES" in Appendix D to the 2000B-C Official Statement, and "CERTAIN INFORMATION CONCERNING THE 2002A GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES" in Appendix D to the 2002A Official Statement, each of which is on file with the MSRB.

Outstanding Parity Bonds

The following series of Public Project Revolving Fund Revenue Bonds are currently outstanding.

Series	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of March 1, 2003
1995A	$41,230,000	$29,980,000
1996A	17,625,000	14,155,000
1997	8,585,000	7,015,000
1999A	13,135,000	10,735,000
1999B	3,025,000	2,000,000
Taxable 1999C	2,265,000	1,675,000
Taxable 1999D	4,875,000	3,860,000
2000A	4,715,000	3,760,000
2000B	7,670,000	7,085,000
2000C	28,850,000	16,340,000
2002A	55,610,000	53,565,000
TOTAL	$191,085,000	$150,170,000

The Series 1995A Bonds, the Series 1996A Bonds, the Series 1997 Bonds, the Series 1999A Bonds, the Series 1999B Bonds, the Taxable Series 1999C Bonds, the Taxable Series 1999D Bonds, the Series 2000A Bonds, the Series 2000B-C Bonds and the Series 2002A Bonds are the only Outstanding Parity Bonds of the NMFA (collectively the "Outstanding Parity Bonds"). See "ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE RATIOS" for Debt Service Requirements on the Outstanding Parity Bonds and aggregate payments under Agreements relating to the Bonds. See "THE PLAN OF FINANCING-Governmental Units and the 2003 Projects" for a listing of the ten Governmental Units comprising the highest percentage of estimated annual revenues.

Outstanding Subordinate Debt

Also outstanding are the NMFA's $24,900,000 Court Facilities Fee Revenue Bonds, Series 2002, $21,600,000 Court Facilities Fee Revenue Bonds, Series 2001A and $11,400,000 Taxable Court Facilities Fee Revenue Bonds, Series 2001B (collectively, the "Court Facilities Fee Revenue Bonds"), secured by 1) a portion of certain docketing fees and costs imposed and collected by certain courts in the State, certain fees and assessments collected in connection with motor vehicle and other violations, and certain parking fees, rents and other charges collected by the Bernalillo County Metropolitan Court from tenants and users of the parking facility after deduction of certain costs associated therewith which moneys are to be deposited in the Court Facilities Fund and 2) amounts on deposit in the Subordinate Lien PPRF Revenue Fund, created pursuant to the Subordinated General Indenture of Trust and Pledge dated as of August 1, 2001 as supplemented by a First Supplemental Indenture dated as of August 1, 2001 and a Second Supplemental Indenture of Trust dated as of September 1, 2002 (collectively, the "Subordinated General Indenture"), between the NMFA and Bank of Albuquerque, N.A. as successor trustee.

The Subordinate Lien PPRF Revenues consists of those monies released to the NMFA from the Revenue Fund created pursuant to the Indenture on June 1 of each year. Pursuant to the Subordinated General Indenture, all such released moneys are to be deposited into the Subordinate Lien PPRF Revenue Fund created by the Subordinated General Indenture and are included in Subordinate Lien PPRF Revenues. Moneys in the Subordinate Lien PPRF Revenue Fund are available to pay on a parity basis debt service on Subordinate PPRF Bonds issued pursuant to the Subordinated General Indenture and on other obligations issued or incurred payable from and constituting a lien upon the Subordinate Lien PPRF Revenues (the "PPRF Secured Obligations"). The Court Facilities Fee Revenue Bonds are PPRF Secured Obligations. The NMFA may also issue additional bonds under the Subordinated General Indenture. The timing, amount and other details of any additional subordinate bonds have not been determined.

Supplemental Indentures and Amendments to Loan Agreements; Rating Agency Discretion

Pursuant to the Indenture, the NMFA and the Trustee may, without the consent of or notice to any of the Owners of the Bonds, enter into an indenture or indentures supplemental to the Indenture in order to make certain amendments or changes to the Indenture, including any amendment with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds, following such amendment, being lower than the rating on the Bonds immediately prior to such amendment. See "APPENDIX B - EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto.

In addition, the NMFA with the consent of the Trustee and the related Governmental Unit may, without the consent of any Owners of the Bonds, amend any Agreement for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred in the Indenture to the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained in any agreement or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgment of the Trustee shall not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

BOND INSURANCE

The following information has been furnished by MBIA Insurance Corporation (the "Insurer" or "Bond Insurer") for use in this Official Statement. Reference is made to Appendix G for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the NMFA to the Trustee of its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2003A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2003A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2003A Bond. The Insurer's policy does not , under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2003A Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Series 2003A Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Series 2003A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee or any owner of a Series 2003A Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2003A Bonds or presentment of such other proof of ownership of the Series 2003A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2003A Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Series 2003A Bonds in any legal proceeding related to payment of insured amounts on the Series 2003A Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such Series 2003A Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and the Insurer set forth under this heading. Additionally, the Insurer makes no representation regarding the Series 2003A Bonds or the advisability of investing in the Series 2003A Bonds.

The Insurer's Policy is not covered by the Property/Casualty Insurance Security Fund Specified in Article 76 of the New York Insurance Law.

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for year ended December 31, 2001; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Series 2003A Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002), are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914)273-4545.

As of December 31, 2001, the Insurer had admitted assets of $8.5 billion (audited), total liabilities of $5.6 billion (audited), and total capital and surplus of $2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2002, the Insurer had admitted assets of $9.0 billion (unaudited), total liabilities of $5.9 billion (unaudited), and total capital and surplus of $3.1 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of the Insurer "AAA."

Fitch Ratings rates the financial strength of the Insurer "AAA."

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2003A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2003A Bonds. The Insurer does not guaranty the market price of the Series 2003A Bonds nor does it guaranty that the ratings on the Series 2003A Bonds will not be revised or withdrawn.

THE PLAN OF FINANCING

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series 2003A Bonds are set forth in the following tables.

Sources and Uses of Funds

SOURCES:	
Series 2003A Bond Par Amount	$39,945,000.00
NMFA Contribution	450,845.05
TOTAL SOURCES:	$40,395,845.05
USES:	
NMFA Reimbursement for 2003 Loans (l)	39,484,748.87
Costs of Issuance (2)	624,845.05
Net Original Issue Premium (Discount) on Series 2003A Bonds	286,251.13
TOTAL USES:	$40,395,845.05

(1) The Series 2003A Bond Proceeds will be paid to the NMFA to reimburse the Public Project Revolving Fund for advances already made by the NMFA to certain 2003 Governmental Units. Advances made to the Program Fund have been or will be used to pay all or a portion of the costs of the 2003 Projects. See "The 2003 Governmental Units and the 2003 Projects" under this caption and "EXTRACT OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts" in Appendix B hereto.

(2) Includes legal and accounting fees, printing, rating fees, Underwriters' discount, bond insurance premium and other miscellaneous costs. See "UNDERWRITING" herein.

Governmental Units and the 2003 Projects

2003 Governmental Units

The following table lists the 2003 Governmental Units which received advances from the NMFA out of the Public Project Revolving Fund for the financing of their respective 2003 Projects which advances will be reimbursed, in whole or in part, from the proceeds of the Series 2003A Bonds.

The 2003 Governmental Units and the 2003 Projects

2003 Governmental Unit	2003 Project	Loan Amount(1)
City of Albuquerque	Chemical Storage	$450,000
Catron County	Fire Substation	45,000
Cibola County	Correction Facility	7,825,000
Village of Cloudcroft	Road Grader	150,000*
City of Deming	Fire Truck	187,798
Dexter Consolidated School District	School Improvements	445,000
City of Española	Water System	1,305,915
Town of Estancia	Fire Pumper	129,884*
Gallup McKinley County School District #1	School Improvements	3,300,000
Gallup McKinley County School District #1	Teacher Housing	16,568,373
Hatch Municipal School District #11	School Improvements	500,000
Lincoln County	Interface Truck	150,000
Lincoln County	Fire Tanker	100,000
Village of Los Lunas	Fire Pumper	142,375
Village of Maxwell	Fire Pumper	74,314
McKinley County	Court House Renovation	2,300,000
Village of Milan	Bond Refunding	690,000
Village of Milan	Fire Pumper	37,631
City of Rio Rancho	Road Improvements	1,371,188
City of Roswell	Police Vehicles	559,444
San Miguel County (Rowe VFD)	Fire Pumper	75,000*
City of Santa Rosa	Bulldozer	127,283*
Town of Silver City	Bond Refunding	206,510
City of Socorro	Landfill Construction	526,185
City of Socorro	Road Improvements	308,461
Socorro County	Fire Pumper	49,000
Texico Municipal School District	School Improvements	600,000
Truth or Consequences Municipal School District #6	School Improvements	1,300,000
Village of Tularosa	Fire Pumper	32,000[1]
University of New Mexico	Law Building	2,000,000
TOTAL		$41,556,361

(1) Certain 2003 Loan Agreements have Agreement Reserve Funds funded with loan proceeds or equity contributions from the applicable 2003 Governmental Units in the aggregate amount of $2,131,042.

Generally

The following table lists the ten Governmental Units comprising the highest percentage of estimated annual Revenues that have entered into Agreements with the NMFA for Projects that have been financed with Bonds. The NMFA has $150,170,000 (as of March 1, 2003) of Parity Bonds outstanding and, upon issuance, will have $39,945,000 of Series 2003A Bonds outstanding.

[1]Interim 2003 Loan Agreements expected to be converted to permanent 2003 Loan Agreements by April 30, 2003. For a more complete description of the NMFA's Interim Loan Program, see "NEW MEXICO FINANCE AUTHORITY – Other NMFA Programs and Projects" herein.

Currently Outstanding Obligations of the Ten Governmental Units Comprising the Highest Percentage of Estimated Annual Pledged Revenues

Borrower	FY 2004 Debt Service[1]	% of FY 2002 Pledged Revenues	Final Maturity
City of Albuquerque	$2,329,985	5.97%	2014
Energy, Minerals and Natural Resources Dept.	1,772,016	4.54%	2020
Gallup-McKinley Schools	1,650,738	4.23%	2023
NW Solid Waste	882,487	2.26%	2018
Eddy County	848,247	2.17%	2007
Valencia County	692,848	1.78%	2009
Roosevelt County	565,958	1.45%	2020
Cibola County	563,011	1.44%	2032
Chaves County	533,416	1.37%	2012
City of Las Vegas	423,746	1.35%	2015

(1) First year in which all Borrowers make full debt service payments.

Source: Western Financial Group, LLC; New Mexico Finance Authority.

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service (excluding any mandatory prior redemption from prepayments on loans) payable for the Series 2003A Bonds for each fiscal year through their final maturity date.

Debt Service for the Series 2003A Bonds

Fiscal Year	Principal(1)	Interest(2)	Annual Debt Service Requirements
2003	---	---	---
2004	$1,303,000	$1,699,258	3,002,258
2005	1,536,000	1,437,416	2,973,416
2006	1,654,000	1,406,696	3,060,696
2007	1,716,000	1,373,616	3,089,616
2008	1,749,000	1,338,438	3,087,438
2009	1,846,000	1,296,462	3,142,462
2010	1,873,000	1,241,082	3,114,082
2011	2,108,000	1,181,146	3,289,146
2012	1,855,000	1,109,474	2,964,474
2013	1,932,000	1,043,622	2,975,622
2014	2,152,000	972,138	3,124,138
2015	2,705,000	890,362	3,595,362
2016	1,837,000	784,867	2,621,867
2017	1,638,000	711,387	2,349,387
2018	1,357,000	642,591	1,999,591
2019	1,420,000	584,918	2,004,918
2020	1,483,000	522,793	2,005,793
2021	1,555,000	456,799	2,011,799
2022	1,634,000	386,047	2,020,047
2023	1,468,000	310,883	1,778,883
2024	1,538,000	242,621	1,780,621
2025	421,000	170,335	591,335
2026	442,000	150,337	592,337
2027	465,000	129,342	594,342
2028	408,000	107,255	515,255
2029	429,000	87,875	516,875
2030	451,000	67,497	518,497
2031	473,000	46,075	519,075
2032	497,000	23,607	520,607

(1) Payable on June 1 of each year. Includes mandatory sinking fund payments.
(2) Payable on June 1 and December 1, commencing December 1, 2003.
Source: Western Financial Group, LLC

The following table shows estimated available Revenues, total debt service requirements for the Series 2003A Bonds and the Outstanding Parity Bonds and the resulting estimated annual coverage ratios. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

Projected Annual Debt Service Requirements and Coverage Ratios

Fiscal Year	Fiscal Year 2001-2002 Collections of NMFA Portion of Gov'tl Gross Receipts Tax (1)	Aggregate Payments Under Agreements (2)(3)	Additional Pledged Loan Payments(4)	Estimated Total Revenues	Total Debt Service Requirements for the 2003A Bonds	Total Debt Service Requirements for the Outstanding Parity Bonds(5)	Total Debt Service Requirements for the 2003A and the Outstanding Parity Bonds	Estimated Annual Coverage Ratios(6)
2003	$15,462,325	$18,437,386	$7,776,606	$41,676,317	---	$17,895,940	$17,895,940	2.33
2004	15,462,325	18,380,668	4,693,054	38,536,047	3,002,258	17,633,485	20,635,743	1.87
2005	15,462,325	17,758,290	4,449,671	37,670,286	2,973,416	16,699,473	19,672,889	1.91
2006	15,462,325	17,602,230	3,834,081	36,898,636	3,060,696	16,863,915	19,924,611	1.85
2007	15,462,325	17,094,165	3,591,993	36,148,483	3,089,616	16,816,295	19,905,911	1.82
2008	15,462,325	15,728,026	3,520,820	34,711,171	3,087,438	16,405,073	19,492,511	1.78
2009	15,462,325	14,737,649	3,505,782	33,705,756	3,142,462	15,496,485	18,638,947	1.81
2010	15,462,325	12,513,647	3,342,818	31,318,790	3,114,082	13,261,010	16,375,092	1.91
2011	15,462,325	12,498,118	3,545,808	31,506,251	3,289,146	13,313,805	16,602,951	1.90
2012	15,462,325	10,979,606	3,051,881	29,493,812	2,964,474	11,783,564	14,748,038	2.00
2013	15,462,325	8,776,301	2,788,452	27,027,078	2,975,622	9,562,049	12,537,671	2.16
2014	15,462,325	7,960,669	2,854,697	26,277,691	3,124,138	8,766,859	11,890,997	2.21
2015	15,462,325	7,909,418	3,350,542	26,722,285	3,595,362	8,720,781	12,316,413	2.17
2016	15,462,325	5,839,242	2,316,096	23,617,663	2,621,867	6,815,601	9,437,468	2.50
2017	15,462,325	4,029,710	2,022,303	21,514,338	2,349,387	4,980,201	7,329,588	2.94
2018	15,462,325	3,413,686	1,678,242	20,554,253	1,999,591	4,427,463	6,427,054	3.20
2109	15,462,325	2,445,692	1,688,558	19,596,575	2,004,918	3,254,330	5,259,248	3.73
2020	15,462,325	2,266,208	1,603,047	19,331,580	2,005,793	3,524,768	5,530,561	3.50
2021	15,462,325	845,722	1,415,444	17,723,491	2,011,799	1,966,413	3,978,212	4.46
2022	15,462,325	332,500	1,440,810	17,235,635	2,020,047	1,467,300	3,487,347	4.94
2023	15,462,325	334,500	1,183,174	16,979,999	1,778,883	1,468,700	3,247,583	5.23
2024	15,462,325	335,750	1,205,474	17,003,549	1,780,621	335,750	2,116,371	8.03
2025	15,462,325	336,250	1,066,885	16,865,460	591,335	336,250	927,585	18.18
2026	15,462,325	336,000	1,094,122	16,892,447	592,357	336,000	928,337	18.20
2027	15,462,325	- 0 -	1,123,252	16,585,577	594,342	- 0 -	594,342	27.91
2028	15,462,325	- 0 -	570,775	16,033,100	515,255	- 0 -	515,255	31.12

Fiscal Year	Fiscal Year 2001-2002 Collections of NMFA Portion of Gov'tl Gross Receipts Tax (1)	Aggregate Payments Under Agreements (2)(3)	Additional Pledged Loan Payments(4)	Estimated Total Revenues	Total Debt Service Requirements for the 2003A Bonds	Total Debt Service Requirements for the Outstanding Parity Bonds(5)	Total Debt Service Requirements for the 2003A and the Outstanding Parity Bonds	Estimated Annual Coverage Ratios(6)
2029	15,462,325	- 0 -	571,952	16,034,277	516,875	516,875	516,875	31.02
2030	15,462,325	- 0 -	573,193	16,035,518	518,497	518,497	518,497	30.93
2031	15,462,325	- 0 -	574,497	16,036,822	519,075	519,075	519,075	30.89
2032	15,462,325	- 0 -	532,632	15,994,957	520,607	520,607	520,607	30.72

(1) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS-Revenues-The Governmental Gross Receipts Tax." Future collections of the NMFA Portion of the Governmental Gross Receipts Tax are based on fiscal year 2001-2002 collections provided by the NMFA and are subject to change.

(2) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS -Revenues -The Agreements and the Agreement Pledged Revenues." Includes 2003 Loan Agreements and Agreements entered into in connection with the Outstanding Parity Bonds.

(3) The City of Santa Fe advance refunded its Loan and will prepay its obligations in full on the optional redemption date in Fiscal Year 2005. The calculations in this column do not include Prepayment of Loan by City of Santa Fe in Fiscal Year 2005.

(4) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS-Revenues-Additional Pledged Loans." Includes outstanding Additional Pledged Loans.

(5) Does not include the NMFA's Court Facilities Fee Revenue Bonds.

(6) The Estimated Annual Coverage Ratios are calculated using fiscal year 2001-2002 governmental gross receipts tax collections provided by the NMFA and are subject to change.

Source: New Mexico Finance Authority

NEW MEXICO FINANCE AUTHORITY

Generally

The NMFA is a public body politic and corporate and governmental instrumentality of the State. It was created in 1992 pursuant to the New Mexico Finance Authority Act (the "NMFA Act") for the purpose of coordinating the planning and financing of State and local public projects, to provide for long-term planning and assessment of State and local capital needs and to improve cooperation among the executive and legislative branches of State government and local governments in financing public projects. Pursuant to the NMFA Act, the NMFA and its corporate existence shall continue until terminated by law, provided that no such law shall take effect so long as the NMFA has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The NMFA is governed by a board of directors and currently employs seventeen persons.

Powers

Pursuant to the NMFA Act, the NMFA is granted all powers necessary and appropriate to carry out and effectuate its public and corporate purposes, including but not limited to the following powers: to sue or be sued; to adopt, subject to the review and approval of the NMFA oversight committee, such regulations as are necessary and appropriate to implement the provisions of the NMFA Act; to make, enter into and enforce all contracts, agreements and other instruments necessary, convenient or desirable in the exercise of its powers and functions and for the purposes of the NMFA Act; to acquire, construct, hold, improve, mortgage, sell, lease, convey or dispose of real and personal property for its public purposes; to make loans and purchase securities and contract to make loans and purchase securities; to make grants from the Water and Wastewater Project Grant Fund and Water and Wastewater Planning Fund to qualified entities to finance public projects; to procure insurance to secure payment on any loan, lease or purchase payments owed to the NMFA by a qualified entity in such amounts and from such insurers, including the federal government, as it may deem necessary or desirable, and to pay any premiums for such insurance; to fix, revise from time to time, charge and collect fees and other charges in connection with the making of loans and any other services rendered by the NMFA; and to borrow money and to issue bonds.

Organization and Governance

The NMFA's governing body, the Board of Directors of the NMFA, is composed of 12 members, seven of which are ex-officio members designated in the NMFA Act and five of which are appointed by the Governor with the advice and consent of the State senate. The seven designated members include five ex-officio State officials, of which four are cabinet-level secretaries (the secretary of finance and administration, the secretary of economic development, the secretary of energy, minerals and natural resources, and the secretary of environment), and one is a State agency official (the State investment officer), and two are the chief executives of state-wide associations (the executive director of the New Mexico Municipal League and the executive director of the New Mexico Association of Counties). One of the five members appointed by the Governor must be the chief financial officer of a State higher educational institution and the remaining four members appointed by the Governor are members of the public. Each of the appointed members of the NMFA serve staggered four-year terms, so that the term of at least one member expires on January 1 of each year. Vacancies are filled by appointment for the remainder of the unexpired term. Any member is eligible for reappointment.

The NMFA Act also provides for the creation of a legislative oversight committee, whose membership is determined by the State Legislative Council. The oversight committee is required to monitor and oversee the operation of the NMFA, and in that connection it: meets on a regular basis to receive and review reports from the NMFA on implementation of the provisions of the Act and to review and approve regulations proposed for adoption; monitors and provides assistance and advice on the public project financing program of the NMFA; oversees and monitors State and local government capital planning and financing; provides advice and assistance to the NMFA and cooperates with the executive branch of State government and local governments on planning, setting priorities for and financing of State and local capital projects; undertakes an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing State and local government capital financing in the State; and reports its findings and recommendations, including recommended legislation or necessary changes, to the Governor and to each session of the legislature. The report and proposed legislation is required to be made available on or before December 15 each year.

Governing Body and Staff Members

Current members of the Board of Directors of the NMFA, and their respective occupations, are set out below:

Name	Occupation	Term Expires
Gary Bland (1)	State Investment Officer, State Investment Council	not applicable
Ron Curry(1)	Secretary, Environment Department, State of New Mexico	not applicable
Stephen R. Flance (Chairman)(2)	Owner/CEO, The Flance Company	12/31/05
William Fulginiti (Vice-Chairman)(1)	Director, New Mexico Municipal League	not applicable
Randy Harris (2)	President and CEO, Bank of Clovis	12/31/04
Rick Homans (1)	Secretary, Economic Development Department, State of New Mexico	not applicable
James Jimenez (1)	Secretary, Department of Finance and Administration, State of New Mexico	not applicable
James L. McDonough (2)	Chief Financial Officer, New Mexico State University	12/31/07
Samuel O. Montoya (1) (Secretary)	Executive Director, New Mexico Association of Counties	not applicable
Joanna Prukop (1)	Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Craig Reeves (2)	President, First National Bank of New Mexico	12/31/03
David Stone (2)	President, Portales National Bank	12/31/03

(1) Ex-Officio Member.
(2) Appointed by the Governor of the State.

Set out below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 2003A Bonds and the administration of the NMFA's financing programs.

Tom K. Pollard, Ph.D., Executive Director. Dr. Pollard has directed the operations of the NMFA since its inception. He previously served for five years as Executive Director of the Texas Bond Review Board (the "Texas Bond Board") from its inception in 1987. The Texas Bond Board, chaired by the Governor of Texas, is responsible for the approval of all state bond issuance. Dr. Pollard directed all research, technical and administrative functions of the Board and analyzed the legal and financial soundness of each bond transaction reviewed by the Texas Bond Board. He also administered the allocation of the State of Texas' $850 million federal private activity bond authorization among Texas bond issuing entities and reported to the bond rating agencies on the fiscal condition of state government and Texas' state-backed loan programs. Before coming to the Texas Bond Board, Dr. Pollard served the Texas State Comptroller as the government's primary forecaster of state economic conditions and state government revenue from all sources. Dr. Pollard received a Ph.D. in economics from the University of Texas in 1980.

Keith H. Mellor, Controller. Mr. Mellor joined the NMFA in November 1995. Before coming to the NMFA Mr. Mellor was controller for the Los Alamos Credit Union. He brings with him an extensive background in controllership, investment portfolio management, governmental auditing and accounting. His responsibilities include design, implementation, and maintenance of financial controls, reporting systems and investment strategies. Prior to serving at the Los Alamos Credit Union, Mr. Mellor was CFO/Controller for CNS, Inc., a systems engineering and integration firm. Mr. Mellor holds B. S. in accounting from Metro State College, Denver, Colorado. He holds a Certified Public Accountant's license in the State of Colorado.

Marquita Russel, Chief of Programs. Ms. Russel joined the NMFA in September 2000. Ms. Russel has 15 years of experience in the financial services industry in both marketing and financial analysis. Prior to joining the NMFA, Ms. Russel spent 10 years at the Illinois Development Finance Authority where she held the positions of Marketing Director and Senior Program Administrator. During that time, Ms. Russel closed more than $1 billion of transactions, ranging from $5,000 microloans to $175 million tax exempt hospital bonds. Ms. Russel earned her bachelor's degree from Marquette University, Milwaukee, Wisconsin.

The NMFA staff provides a full range of services to its borrowers and other parties benefitting from or otherwise interested in the NMFA's financing programs. Those services include loan servicing and program fund administration, financial analysis relating to all aspects of the NMFA's programs, accounting, program marketing and development services, application assistance to borrowers, coordination and assistance with other funding sources, coordination with taxing and regulatory authorities, and coordination with various legislative authorities.

The Public Project Revolving Fund Program

The Public Project Revolving Fund Program of the NMFA is authorized by the NMFA Act and was created to fulfill the duty of the NMFA to develop and administer a program to assist qualified entities, individually or jointly, in financing all types of projects of a long-term capital nature, including but not limited to buildings and furnishings, water systems, water rights, sewerage and waste disposal systems, solid waste disposal systems, land, streets, airports, municipal utilities, parking facilities and capital equipment. To implement the Public Project Revolving Fund Program, the NMFA has been granted the following specific powers: to make loans to qualified entities that establish one or more dedicated sources of revenue to repay the loan from the NMFA; to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the NMFA or pertaining to (i) a loan to a qualified entity, (ii) a grant to a qualified entity, (iii) a purchase or sale of securities individually or on a pooled basis, or (iv) the performance of its duties and execution of any of its powers under the Act; to purchase, hold or sell securities; to charge for its costs and services in review or consideration of a proposed loan to a qualified entity or purchase by the NMFA of securities; in connection with the purchase of any securities, to consider the ability of the qualified entity to secure financing from other sources and the costs of that financing and the particular public project or purpose to be financed or refinanced with the proceeds of the securities to be purchased by the NMFA; and to acquire and hold title to or leasehold interest in real and personal property and to sell, convey or lease that property for the purpose of satisfying a default or enforcing the provisions of a loan agreement.

Other NMFA Programs and Projects

The NMFA participates in several other programs designed to provide financing for equipment and projects to both municipal and state agencies. These projects are funded by various sources and do not have a lien or claim of any type on the Pledged Revenues that secure the Series 2003A Bonds.

Workers' Compensation Administration Building Financing

In 1993 and 1994, the New Mexico Legislature authorized the NMFA to sell a total of $6 million in revenue bonds for the acquisition of land and site improvement, planning, designing, constructing, equipping and furnishing of a state office for the Workers' Compensation Administration ("WCA"). The Legislature also provided that the first forty cents ($.40) of each quarterly four dollar ($4) of Workers' Compensation assessment paid to the State would be pledged to the NMFA for payment of the revenue bonds associated with the WCA project. In July 1995, the NMFA publicly sold $2.5 million of its revenue obligations to provide funds for the acquisition of land and the construction and equipping of an office building in Albuquerque. In July 1996, the NMFA sold $4.31 million in long-term bonds to retire the outstanding bonds and to finance construction of the Workers' Compensation Administration Building.

UNM Cancer Research Center

In 1993, the New Mexico Legislature authorized the NMFA to issue revenue bonds payable from a portion of the net cigarette tax receipts collected by the State and distributed to the NMFA. The NMFA issued such revenue bonds in an aggregate principal amount of $6,000,000 in July 1996. The proceeds of the bonds were used to design, construct, equip and furnish an addition to the University of New Mexico Cancer Center.

Primary Care Capital Fund

In 1994, a $5 million revolving fund was created in the State treasury from which to provide loans and other financial assistance to rural primary care health clinics. The legislation establishing the fund directed NMFA to administer the revolving fund, and to assume responsibility for all financial duties related to the program. The New Mexico Health Department and the NMFA have negotiated a joint powers agreement whereby the Health Department will provide all required health-related services and the NMFA will administer the revolving fund. In September 1994, later amended in April 1998, the NMFA and the Health Department have adopted and periodically updated program operation rules to govern the financing of the repair, renovation or construction of primary care clinics in underserved areas of the State. The NMFA has funded thirteen loans totaling approximately $5.7 million.

Administrative Office of the Courts Financing

The 1996 and 1999 Legislatures authorized the NMFA to issue revenue bonds in an amount not to exceed $12 million for the purpose of financing acquisition of court automation systems for the State court system and development of statewide appellate automation, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. $8.5 million in bonds were sold in 1996 with an additional $3.5 million in bonds sold in 1999. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the State, and a portion of certain costs and penalty assessments to be collected upon conviction of persons of violating any provision of the Motor Vehicle Code involving the operation of a motor vehicle. The 1996 and 1999 Bonds were defeased on June 1, 2001.

Insurance Department Financing

The 1996 Legislature authorized the NMFA to issue revenue bonds in an amount not to exceed $ 1.0 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance. The Legislature imposed a three dollar ($3) surcharge on the annual continuation of appointment fees on the approximately 60,000 insurance agents subject to the fees to provide security for the bonds. The NMFA issued $525,000 privately placed bonds in 1996 and an additional $200,000 privately placed bonds in 1999.

Tax and Revenue Information Management Information System ("TRIMS Project")

In 1997 the New Mexico Legislature authorized the NMFA to sell up to $33,709,800 of bonds for the purpose of financing the New Mexico Taxation and Revenue Department (the "NMTRD") information management systems project (the "TRIMS Project"). The TRIMS Project is an integration and updating of on-line, multi-user systems that process taxation, motor vehicle tax and fee collections, revenue distributions and information processing by the NMTRD, which is responsible for collecting revenues for the State, its local governments, and others.

The NMFA sold $17,440,600 of Series 1997A Administrative Fee Revenue Bonds in September 1997. Those bonds are secured by certain administrative fees imposed by the NMTRD on local governments for the services associated with collection of local options gross receipts tax revenues, as well as NMTRD administrative fees imposed in connection with other taxes, fees, and charges. The NMFA entered into an interim loan agreement with the NMTRD in advance of long-term financing of the second issue of TRIMS Project bonds. The NMFA issued the balance of the amount of bonds authorized for the TRIMS Project with the sale of $16.27 million of 1999A Administrative Fee Revenue Bonds in September 1999.

New Mexico State Highway and Transportation Department

On October 2, 1998, the NMFA issued its $100,230,000 Federal Highway Grant Anticipation Revenue Bonds, Series 1998A for the purpose of financing the costs of acquiring, constructing, expanding and improving approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes (the "Corridor 44 Project") by the New Mexico State Highway and Transportation Department ("NMSHTD"). The bonds are payable from the NMFA's rights to payments under a loan agreement between the NMFA and NMSHTD. The obligations of NMSHTD under the loan agreement are payable solely from and secured by a pledge of certain revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented. Subsequent bond issues for the completion of the Corridor 44 Project were issued directly by NMSHTD.

In February 2001, the NMFA issued $18,535,000 in Federal Highway Grant Anticipation Revenue Bonds, Series 2001 for the purposes of financing the design, repair, construction, expansion, reconstruction and improvement of certain public lands highways located in New Mexico. The bonds are solely payable from the NMFA's rights to payments under a Loan Agreement between the NMFA and NMSHTD. The obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a pledged of certain revenues received by or on behalf of NMSHTD pursuant to Chapters 1 and 2 of Title 23 United States Code, Highways, as amended and supplemented.

Drinking Water Program

The New Mexico Drinking Water State Revolving Loan Fund Act (the "Drinking Water Fund Act") was signed into law on April 9,1997. The Drinking Water Fund Act creates, in the NMFA, the New Mexico Drinking Water State Revolving Loan Fund (DWRLF) which is administered by the NMFA. The NMFA was charged with the establishment, in cooperation with the State of New Mexico Environment Department, of a loan program to provide local authorities with low-cost financial assistance in the construction of drinking water facilities necessary to protect the public health. The passage of the Drinking Water Fund Act was in response to the re-authorization by Congress and the President of the federal Safe Drinking Water Act (SDWA), which required the Environmental Protection Agency (EPA) to make capitalization grants to the states to further the health objectives of the SDWA. Under the re-authorization, capitalization grants will be made to the states over the next seven years.

New Mexico has been awarded a total of $42,897,000 in capitalization grant dollars from the EPA through December 1, 2002, and has provided a total state match of $8,578,200. The capitalization grant request for FY 2002, in the amount of $8,052,500, is currently being prepared and will be presented to the EPA by June 2003; the related state match is $1,610,500.

The NMFA can utilize funds in the DWRLF to make loans to localities for drinking water facility construction, renovation or expansion. For projects with proper legislative approval, these loans can be combined with loans from the Public Project Revolving Fund to leverage the funds in the DWRLF to create a greater dollar volume of loans. To date the NMFA has funded 15 loans totaling approximately $15,782,563.

Bernalillo Metropolitan Court

During the 1998 special legislative session and the 2000 legislative session, the Legislature authorized the NMFA to issue up to $57.9 million in revenue bonds for the purpose of financing the acquisition of real property and the design, construction and equipping of a new court building and an adjacent parking facility for the Bernalillo Metropolitan Court in Albuquerque, New Mexico. The first series of bonds for the Metropolitan Court Project, the Court Facilities Fee Revenue Bonds, were issued on August 16, 2001 in the amount of $33,000,000. On September 5, 2002, the next series of bonds was issued in the amount of $24,900,000. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the State, a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the Motor Vehicle Code involving the operation of a motor vehicle and amounts on deposit in the Subordinate Lien PPRF Revenue Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS - Outstanding Subordinate Debt" herein.

Water and Wastewater Grant Fund Program

In 2000, the Legislature authorized the NMFA to issue up to $5,000,000 in bonds to fund grants for 26 public water and wastewater systems. In 2001, the Legislature appropriated approximately $39,945,000 to the Water and Wastewater Grant Fund Program to fund 72 public water and wastewater systems. In 2002, the Legislature appropriated $15,000,000 to the Water and Wastewater Grant Fund, but did not identify specific projects to receive the benefit of these funds. For this reason, the NMFA has used the 2002 legislative appropriation only for certified emergency projects. As of October 31, 2002 the NMFA Board of Directors has approved 101 grants, totaling approximately $42 million.

Water and Wastewater Planning Fund Program

The Water and Wastewater Planning Fund was created by the Legislature in 2002 to provide grants for qualified entities to evaluate and to estimate the costs of implementing the most feasible alternatives for meeting water and wastewater public project needs. The grants need not have specific authorization by statute. The NMFA is authorized to issue up to $1 million in bonds to fund these grants.

State Office Building Program

The Legislature in 2001 authorized the NMFA to issue bonds in the amount of $75,000,000 to finance four separate projects: (i) purchase, renovate, equip and furnish the National Education Association Building on South Capitol Street in Santa Fe, (ii) plan, design, construct, equip and furnish a new office building with integrated parking at the West Capitol Complex on Cerrillos Road in Santa Fe, (iii) purchase, renovate, equip and furnish the Public Employees Retirement Association Building on Paseo de Peralta in Santa Fe, and (iv) purchase land adjacent to the District 5 Office of the State Highway and Transportation Department on Cerrillos Road in Santa Fe. The bonds are payable from a pledge of a portion of the State's gross receipts tax. In January 2002, the NMFA issued its State Office Building Tax Revenue Bonds, Series 2002A in the amount of $34,695,000 to finance a portion of the authorized projects.

Interim Loan Programs

The NMFA is authorized to use money on deposit in the public project revolving fund to make loans to qualified entities for the financing of (1) equipment for fire protection, law enforcement and protection, computer and data processing, street and road construction and maintenance, emergency medical services, solid waste collection, transfer and disposal, radio and telecommunications, and utility system purposes, and (2) the acquisition, construction and improvement of fire stations. Interim loans may be made for those purposes in amounts not exceeding five hundred thousand dollars, and shall, within two years after loans are made, be specifically authorized by law at a legislative session or, within that two year period, bonds shall be issued by the NMFA, the proceeds of which shall be used to reimburse the public project revolving fund for the amounts used to make interim loans. Projects funded with the proceeds of interim loans under the equipment program are not required to obtain specific authorization by law, as required of projects funded directly from the public project revolving fund.

The NMFA is seeking and expects to receive legislative authorization for the interim 2003 Loan Agreements during the 2003 legislative session and expects to convert the interim 2003 Loan Agreements to permanent 2003 Loan Agreements by April 30, 2003. If, however, legislative authorization is not received during the 2003 legislative session, the NMFA will seek that approval during the 2004 legislative session. If legislative authorization is not received during the 2004 legislative session, the NMFA will work with the 2003 Governmental Units to determine an alternative method of permanent financing for the interim 2003

Loans. Such alternative permanent financing may result in the prepayment of a proportional share of 2003A Bonds. For a description of the interim 2003 Loan Agreements, see "THE PLAN OF FINANCING – Governmental Units and the 2003 Projects" herein.

The Subordinate Lien Program

The NMFA is authorized to issue bonds pursuant to the Subordinated General Indenture of Trust and Pledge dated as of June 1, 2002 and supplements thereto (collectively, the “Subordinated General Indenture”) to provide funds to Governmental Units for projects that have been approved by the legislature for funding through the Public Project Revolving Fund. In connection with the issuance of bonds issued pursuant to the Subordinated General Indenture (the “Subordinate PPRF Bonds”), the NMFA may enter into a loan agreement with the Governmental Unit or may purchase securities of the Governmental Unit in consideration for the loan of a portion of the proceeds of such Subordinate PPRF Bonds for projects. Such loan agreements and securities are referred to herein as “Subordinate PPRF Agreements.” The Subordinate PPRF Bonds are secured by (i) all revenues received or earned by the NMFA from or attributable to the Subordinate PPRF Agreements (except for certain costs of administering the Public Project Revolving Fund program); (ii) public project revolving fund revenues released from the Indenture; (iii) all revenues received or earned by the NMFA from or attributable to other loan agreements or securities pledged to the Subordinated General Indenture; and (iv) all interest earned by and profits derived from the sale of investments in certain funds and accounts created under the Subordinated General Indenture.

LITIGATION

According to the NMFA, there is no controversy or litigation known to be pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2003A Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any payments which will provide Revenues for the payment of the debt service on the Series 2003A Bonds or in any way contesting or affecting the validity or enforceability of the Series 2003A Bonds, the Indenture, or any proceeding and authority of the NMFA taken with respect to the foregoing. The NMFA will deliver a no-litigation certificate as to the foregoing prior to the issuance of the Series 2003A Bonds.

UNDERWRITING

RBC Dain Rauscher Inc., U.S. Bancorp Piper Jaffray Inc., George K. Baum & Company and Banc of America Securities LLC (collectively, the "Underwriters") agree to purchase the Series 2003A Bonds from the NMFA pursuant to a Bond Purchase Agreement dated March 20, 2003 (the "Bond Purchase Agreement"), at an aggregate price of $39,400,903.82 (being the aggregate principal amount less a net original issue discount of $286,251.13 and less an Underwriters' discount of $257,845.05). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2003A Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 2003A Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 2003A Bonds. The NMFA and the 2003 Governmental Units have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2003A Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2003A Bonds. Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, has assumed, without undertaking to verify or confirm, continuing compliance by the NMFA and the 2003 Governmental Units with such requirements and restrictions in rendering its opinion regarding the tax exempt status of interest on the Series 2003A Bonds.

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2003A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

Although said Co-Bond Counsel will render an opinion that interest on the Series 2003A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003A Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. Said Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003A Bonds.

The Series 2003A Bonds maturing on June 1, 2008, and bearing interest at the rate of 2.40%, the Series 2003A Bonds maturing in the years 2010 through 2024 and in the years 2028 and 2032 (collectively, the "Discount Series 2003A Bonds") are offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a Series 2003A Bond accrues periodically over the term of the Discount Series 2003A Bonds as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of taxable gain or loss from the sale or from redemption prior to maturity. Holders of Discount Series 2003A Bonds should consult their tax advisors for an explanation of the accrual rules.

The Series 2003A Bonds maturing on June 1, 2004, June 1, 2005 and June 1, 2006, and bearing interest at the rate of 2.0% and maturing on June 1, 2009, and bearing interest at the rate of 3.0% (collectively, the "Premium Series 2003A Bonds"), are offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Premium Series 2003A Bond through reductions in the holders' tax basis in the Premium Series 2003A Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable Premium is accounted for as reducing the tax-exempt interest in the Premium Series 2003A Bonds rather than creating a deductible expense or loss. Holders of Premium Series 2003A Bonds should consult their tax advisors for an explanation of the amortization rules.

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, under laws of the State of New Mexico as currently enacted and construed, interest on the Series 2003A Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2003A Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel to the NMFA, and Ballard Spahr Andrews & Ingersoll, LLP, as Co-Bond Counsel to the NMFA, will deliver the respective opinions included in Appendix E hereto. Certain legal matters relating to the Series 2003A Bonds will be passed upon for the Underwriters by their counsel, Brownstein Hyatt & Farber, P.C. Neither Brownstein Hyatt & Farber, P.C. nor either Co-Bond Counsel has participated in any independent verification of the information concerning the financial condition or capabilities of the NMFA or the 2003 Governmental Units contained in this Official Statement.

Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. Certain legal matters relating to the 2003 Loan Agreements have been passed upon by Modrall, Sperling, Roehl, Harris & Sisk, P.A.

EXPERTS

The NMFA has retained Western Financial Group, LLC, as financial advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2003A Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Western Financial Group, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

FINANCIAL STATEMENTS

The combined financial statements of the NMFA for the year ended June 30, 2002, included as Appendix A of this Official Statement have been audited by Neff & Ricci, LLP, certified public accountants, Albuquerque, New Mexico, as set forth in their report thereon dated October 22, 2002. Such financial statements represent the most current audited financial information available for the NMFA.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission in connection with the issuance of the Series 2003A Bonds, the NMFA will agree to provide the following information:

(i) to each nationally recognized municipal securities information repository ("NRMSIR"):

(1) annual financial information and operating data as follows:

(a) with respect to the NMFA, information concerning the NMFA Portion of the Governmental Gross Receipts Tax Revenues, such information to be of the type set forth under the table captioned "Governmental Gross Receipts

Taxes Collections Fiscal Years 1997-1998 through 2001-2002" under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS - Revenues - The Governmental Gross Receipts Tax" in the Official Statement; and

(b) with respect to any Governmental Unit whose Loan repayment obligations constitute more than 5% of the estimated annual Revenues in any year when the Series 2003A Bonds are outstanding (the "5% test") information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Pledged Revenues, or such shorter period for which such information is available.

and

(2) audited financial statements for the NMFA and any Governmental Unit meeting the 5% test.

Such information will be provided within 270 days of the end of each fiscal year and will be made available, in addition to each NRMSIR, to the Trustee and to each holder of the Series 2003A Bonds who requests such information. In the event that audited financial statements are not available within such time period, unaudited financial statements will be provided;

(ii) in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") and to a State information depository, if any, notice of the occurrence of any of the following events (if applicable) with respect to the Series 2003A Bonds or the Agreements, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Series 2003A Bonds;

(7) modification of rights of security holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Series 2003A Bonds; and

(11) rating changes.

The NMFA may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the NMFA, such other event is material with respect to the Series 2003A Bonds or the Agreements. However, the NMFA does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above; and

(iii) in a timely manner to the MSRB notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The NMFA reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the NMFA; provided that, the NMFA has agreed that any such modification will be done in a manner consistent with the Rule. The NMFA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Owners of the Series 2003A Bonds and shall be enforceable by the Owners; provided that, the right to enforce the provisions of this undertaking are limited to a right to obtain specific enforcement of the NMFA's obligations, and any failure by the NMFA to comply with the provisions of the undertaking shall not be an event of default with respect to the Series 2003A Bonds.

Continuing disclosure undertakings previously entered into by NMFA called for it to file an annual report and audit with respect to the Fiscal Year ended June 30, 1997 no later than 270 days after the end of such fiscal year. In November of 1998, the NMFA discovered that such report and audit had not yet been filed. On November 25, 1998, NMFA notified the MSRB of its failure to file the report and audit and by December 15, 1998, such report and audit had been filed with the NRMSIRs. NMFA believes that it is now in compliance with its continuing disclosure undertakings.

Financial information and operating data for the City of Albuquerque, New Mexico, the only Governmental Unit which is expected to provide more than 5% of estimated annual Revenues in any year when Bonds will be Outstanding, is set forth in Appendix E hereto.

RATINGS

Moody's Investor's Service, Inc. ("Moody's"), Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of “Aaa”, “AAA”, and “AAA”, respectively, to the Series 2003A Bonds, with the understanding that upon the delivery of the Series 2003A Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2003A Bonds will be issued by a municipal bond insurer. In addition, Moody's, S&P and Fitch have assigned underlying (i.e., without regard to a municipal bond insurance policy) long-term ratings of “A1”, “A-”, and “AA”, respectively, to the Series 2003A Bonds. An explanation of the significance of such ratings may be obtained from Moody's at 99 Church Street, New York, New York 10007, S&P at 55 Water Street, New York, New York 10041, and Fitch at One State Street Plaza, New York, New York 10004.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2003A Bonds and there is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings given to the Series 2003A Bonds may have an adverse effect on the market price of the Series 2003A Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2003A Bonds any proposed revision or withdrawal of the ratings on the Series 2003A Bonds, or to oppose any such proposed revision or withdrawal.

ADDITIONAL INFORMATION

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 409 St. Michael's Drive, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 2003A Bonds.

APPROVAL BY THE NMFA

This Official Statement and its distribution and use by the Underwriters have been duly authorized and approved by the NMFA, and this Official Statement has been executed and delivered on behalf of the NMFA by the Chairman of its Board of Directors and its Executive Director.

NEW MEXICO FINANCE AUTHORITY

By____
Stephen R. Flance
Chairman of the Board of Directors

By____
Tom K. Pollard
Executive Director

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

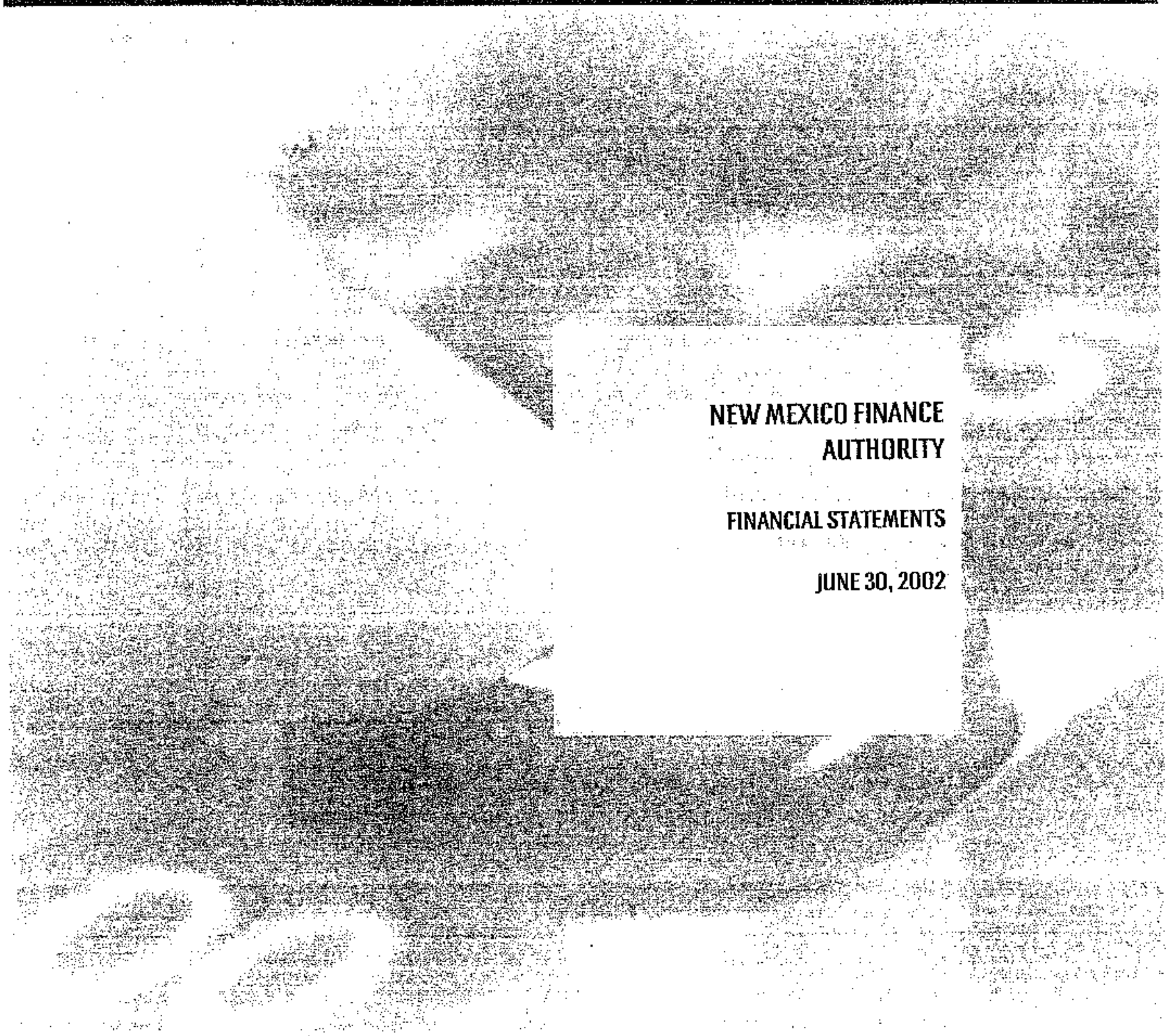
**AUDITED FINANCIAL STATEMENTS OF THE NMFA
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NEFF + RICCI LLP

6100 UPTOWN BLVD NE · SUITE 400 · ALBUQUERQUE, NM 87110

TEL: 505.830.6200 FAX: 505.830.6282 WEB: WWW.NEFFCPA.COM

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS



NEW MEXICO FINANCE AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2002

[THIS PAGE INTENTIONALLY LEFT BLANK]

NEW MEXICO FINANCE AUTHORITY
JUNE 30, 2002

Official Roster

Governing Board

Robert M. Goodman, Chairman
William F. Fulginiti, Vice Chairman
H. Dan Shannon, Secretary
Phil Archibeck
John Garcia
Harold Field
Peter Maggiore
Sam Montoya
Mary L. Thompson
Danny Earp
Jon Brown
Betty Rivera

Executive Director

Tom K. Pollard, Ph.D.

Chief Financial Officer and Controller

Keith H. Mellor

NEFF + RICCI LLP CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS
6100 UPTOWN BLVD NE · SUITE 400 · ALBUQUERQUE, NM 871
TEL: 505.830.6200 FAX: 505.830.6282 WEB: WWW.NEFFCPA.CO

Independent Auditors' Report

Members of the Board of Directors
New Mexico Finance Authority
And
Mr. Domingo Martinez, CGFM,
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Mexico Finance Authority (Authority), as of and for the year ended June 30, 2002, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Authority's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Authority, as of June 30, 2002, and the respective changes in the financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Board of Directors
New Mexico Finance Authority
And
Mr. Domingo Martinez, CGFM,
New Mexico State Auditor
Santa Fe, New Mexico

As described in Note 2, the Authority adopted the provisions of the Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis-For State and Local Governments*, as of July 1, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2002, on our consideration of the Authority internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of pledged collateral is presented for purposes of additional analysis and are not a required part of the financial statements. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by US Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Not-for-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to each of the respective individual funds taken as a whole.

Neff + Ricci LLP

Albuquerque, New Mexico
October 22, 2002

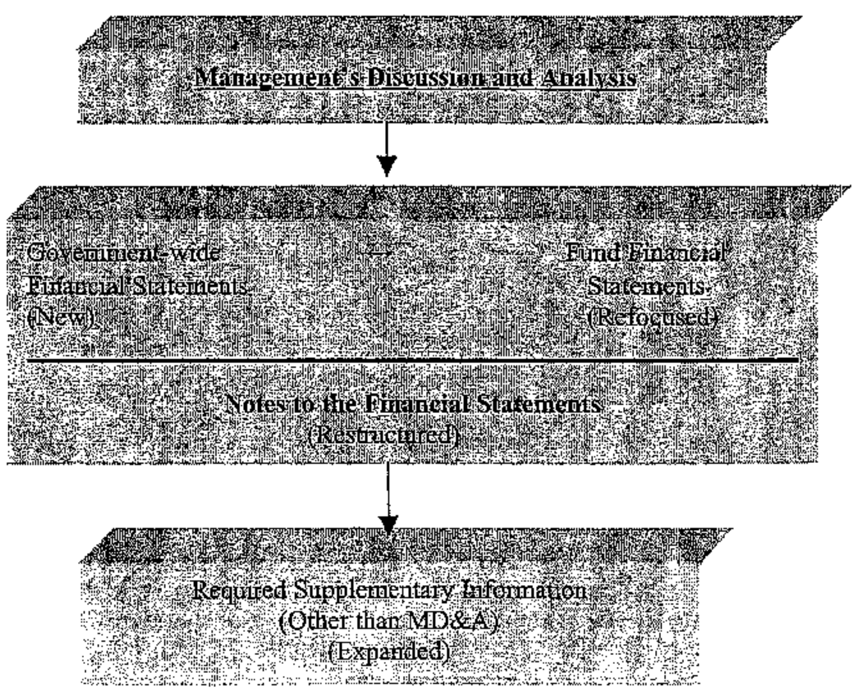
The New Mexico Finance Authority (NMFA) discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the NMFA's financial activity, (c) identify changes in the NMFA's financial position (ability to address future year challenges), (d) identify any material deviations from the financial plan (approved budget), and (e) identify fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, the NMFA's financial statements and notes which follow this section.

In the first period that GASB #34 is applied, it does not require that governments restate prior periods for the purpose of providing required comparative data for MD&A. The NMFA has chosen not to restate prior periods however, in future years, a comparative analysis of government wide data will be provided.

USING THIS ANNUAL REPORT

With the implementation of GASB #34, the presentation of the financial statements is significantly different from the previous general-purpose financial statements. The primary focus in State government's financial statements for the last 20 years (summarized fund type information) has been discarded with implementation of GASB #34. The new focus is on both the NMFA (government-wide) and the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison and enhance accountability. Although the NMFA is an instrumentality of the State of New Mexico Government, the Primary Government focus in this financial report is the NMFA and not the State of New Mexico as a whole. The following is a graphic presentation of the new accounting model:



MD&A should provide an objective and easily readable analysis of the NMFA's financial activities based on currently known facts, decisions, or conditions. It should provide an analysis of the NMFA's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it should provide an analysis of significant changes that occur in funds and significant budget variances.

Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government and consist of a statement of net assets and a statement of activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the NMFA. Both statements distinguish between the governmental and business-type activities of the NMFA. Fiduciary activities whose resources are not available to finance the government's programs are excluded from the government-wide statements.

The government-wide financials statements of the NMFA are divided into two categories:

- Governmental Activities – All of the NMFA's stand alone bond financings and grant programs are included in the governmental activities. State dedicated revenues and grant appropriations finance most of these activities. The funds included in Governmental Activities for the NMFA are the TRIMS Project Financing, Metro Court Financing, Highway 44 Financing, Federal Highway Forest Road Financing, UNM Cancer Center Financing, Water/Wastewater Grant Fund, Water Trust Board, Workers Compensation Building Financing, State Capitol Improvement Financing, Equipment Loan Financings, and the Insurance Department Financings.
- Business-type Activities – The NMFA's revolving fund programs and operating fund are included in the Business-type activities. The funds included in the Business-type activities for the NMFA are the Public Projects Revolving Fund, the Federal Drinking Water Loan Revolving Fund, the Primary Care Loan Revolving Fund, the State Building Purchase Fund, and the General Operating Fund.

Fund Financial Statements

Fund financial statements consist of a series of statements that focus on information about the major governmental and proprietary funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary fund financial statements (enterprise funds) are prepared using the economic resources measurement focus and the accrual basis of accounting.

Fund Financial Statements (Continued)

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

Governmental Fund Types:

- Special Revenue funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. The Authorities funds classified as Special Revenue Funds are the UNM Cancer Center Bond Fund, the Water Waste/water Grant Fund, and the Water Projects Fund (accounted for within the Water Trust Fund).

- Debt Service funds – The debt service funds are used to account for the accumulation of resources for, and the payment of general long-term obligation principal, interest, and related costs. The funds classified as debt service funds are the TRIMS Project, the Metro Court Financing Fund, the Highway 44 Financing Fund, the Forest Highway Forest Road Financing Fund, the Workers Compensation Building Financing Fund, the State Capitol Improvement Financing Fund, The Equipment Loan Funds, and the Insurance Department Financing Fund.

Proprietary Fund Types:

- Enterprise funds – Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the costs of providing services including capital costs, be recovered with fees and charges or (c) has a pricing policy designed for the fees and charges to recover similar costs. The funds classified as proprietary funds are, the General Operating fund, the Public Projects Revolving Fund, the Drinking Water State Revolving Loan Fund, the Primary Care Capital Fund, and the State Office Building Financing Fund.

Notes to the Financial Statements

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

GASB #34 requires that infrastructure assets (roads, bridges, traffic signals, etc.) be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either depreciate these assets over their estimated useful life or develop a system of asset management designed to maintain the service delivery potential. The NMFA does not own a material interest in any infrastructure assets and therefore is not required to implement this portion of GASB #34.

Budgetary Comparisons

In addition to MD&A, GASB #34 requires budgetary comparison schedules for the general fund and for each major governmental fund that has an adopted annual budget. The NMFA does not have any legally adopted budgets and therefore does not present these financial statements. Budget to Actual information is included in the financial statement footnotes for budgeted funds as approved by the Board of Directors.

HIGHLIGHTS

Financial Highlights

The NMFA's net assets at year end were $152,594,772. The governmental net assets were $42,605,478 and the business-type net assets were $ 109,989,294.

The governmental and business-type activities program revenue was $59,238,182 and the change in net assets was $46,885,743 in fiscal year 2002.

The total cost of all NMFA programs was $62,015,678.

NMFA Highlights

The New Mexico Finance Authority (NMFA), created in 1992, assists qualified entities in financing capital equipment and infrastructure projects at any stage of completion, from pre-planning through construction, by providing low-cost funds and technical assistance. It does so through its five main financing sources: Public Project Revolving Fund (PPRF), Water and Wastewater Grant Fund (W/WWGF), the Drinking Water Revolving Loan Fund (DWRLF), the Primary Care Capital Fund (PCCF), and State Buildings and Automation Project Financing. The newly created Water Trust Fund is to be administered by the NMFA and the NMFA provides staff support to the new Water Trust Board.

As of June 30, 2002, the NMFA has financed more than $587 million in capital projects across all programs.

Highlights (Continued)

NMFA's core program, the PPRF loan program has provided financing for a variety of infrastructure and equipment projects. In FY 2002, the PPRF program made approximately forty loans totaling approximately $31 million.

In cooperation with the New Mexico Environment Department (NMED), the NMFA administers the DWRLF program, a federally funded loan program to provide local authorities with low-cost financing and technical assistance in the construction, renovation or expansion of necessary drinking water facilities. In FY 2002, the DWRLF made seven loans totaling $6.9 million and has made an additional three binding loan commitments totaling approximately $2.9 million.

The PCCF program helps qualified non-profit primary care clinics in medically indigent and underserved areas by providing low-cost financing for capital equipment and infrastructure projects. Since the inception of the program through June 30, 2002, the NMFA Board has approved thirteen loans totaling $5.55 million.

Through June 2002, the NMFA has issued $257.5 million in bonds to provide all or part of the financing for several state projects, including a Worker's Compensation Administration Building, UNM Cancer Research Center, Administrative Office of the Courts automation project, an Insurance Department automation project, an information system upgrade for the Taxation and Revenue Department, the State Highway and Transportation's Corridor 44 and Highway 70 projects, the State Library Renovation project, and the Bernalillo Metropolitan Courthouse project.

The NMFA's grant program, the Water/Waste Water Grant Fund Program, was created in 1999 to help qualified disadvantaged entities fund critical water and wastewater projects. Through June 30, 2002, grants have been approved totaling $42 million.

The 2001 Legislature passed the Water Project Finance Act to provide a financing mechanism to promote water use efficiency, water resource conservation and protection of, fair distribution of and the allocation of water to all users. To this end, the Act created the Water Trust Fund and the Water Project Fund to provide the necessary financial framework and created a fifteen-member Water Trust Board. The Water Trust Fund is created in the State Treasurer's office to be invested by the State Investment Officer in a manner similar to land grant permanent funds. Money in the Water Trust Fund may not be expended for any purpose, but an annual distribution is made to the Water Project Fund.

The Water Project Fund is created in the NMFA, which provides staff support to the Water Trust Board and makes loans or grants to qualified entities for projects prioritized by the Board, approved by the Legislature and on terms and conditions established by the Water Trust Board. The NMFA is authorized to recover from the fund the costs of administering the fund and originating loans and grants.

Highlights (Continued)

During the 2002 regular session, House Bill 88 appropriated $22.5 million to the Water Projects Fund for identified regional projects related to various water needs throughout the State.

FINANCIAL ANALYSIS OF THE NMFA AS A WHOLE

Net Assets: Table A-1 summarizes the NMFA's net assets for the fiscal year ending June 30, 2002. Net assets for Governmental Activities and Business-type Activities were $42,605,478 and $109,989,294 respectively. Total NMFA net assets for fiscal year 2002 are $152,594,772. However, most of those assets are restricted as to the purposes they can be used for. The unrestricted net assets of Governmental Activities are $15,077,374 at the end of the fiscal year. This amount consists of accumulated cash surpluses due to dedicated revenues received over and above amounts necessary for debt service on outstanding bond issues. In most cases these surpluses will be rebated or appropriated to the State entity for which the project was originally financed.

Table A-1
The NMFA's Net Assets

	Governmental Activities	Business-type Activities	**Total**
ASSETS			
Current and Other Assets	$ 139,790,966	123,388,015	**263,178,981**
Capital and Non-Current Assets	117,498,390	177,989,121	**295,487,511**
Total Assets	**$ 257,289,356**	**301,377,136**	**558,666,492**
LIABILITIES			
Current Liabilities	$ 29,010,052	54,520,358	**83,530,410**
Long-Term Liabilities	185,673,826	136,867,484	**322,541,310**
Total Liabilities	**214,683,878**	**191,387,842**	**406,071,720**
NET ASSETS			
Invested in capital assets	-	31,684	**31,684**
Restricted	27,528,104	109,717,358	**137,245,462**
Unrestricted	15,077,374	240,252	**15,317,626**
Total net assets	42,605,478	109,989,294	**152,594,772**
Total liabilities and net assets	**$ 257,289,356**	**301,377,136**	**558,666,492**

In the Business-type activities, the unrestricted amount of $240,252 is the unrestricted balance of the PPRF Fund and can be used only for the stated purposes of that fund.

Revenue

Total revenue for The NMFA as a whole in FY 2002 was $108,901,421. NMFA's revenue was generated from a number of sources.

For governmental-type activities total revenue was $64,644,121 of which tax revenues comprised 33%, grant revenues comprised 51%, loan interest income comprised 9% and investment income 7%.

For business-type activities total revenue was $44,257,300 of which tax revenues comprised 50%, Federal grant revenues 6%, revolving loan grant revenue 20%, loan interest income 16%, investment income 4% and Administration fees 4%.

Table A-2
Changes in the NMFA's Net Assets

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental - type Activities (Infrastructure financing)	Business-type Activities (Infrastructure financing)	Total
Expenses	$ 45,577,075	16,438,603	**62,015,678**
Total program revenues	38,145,176	21,093,006	**59,238,182**
Net (expense) revenue	(7,431,899)	4,654,403	**(2,777,496)**
Total general revenues and transfers	26,498,945	23,164,294	**49,663,239**
Change in net assets	19,067,046	27,818,697	**46,885,743**
Net assets - beginning, as restated	23,538,432	82,170,597	**105,709,029**
Net assets – ending	**$ 42,605,478**	**109,989,294**	**152,594,772**

Expenses

Total expenses for The NMFA as a whole in FY 2002 were $62,015,678.

The NMFA's total expenses for government-type activities during the fiscal year were $45,577,075. Approximately 1% of the expenditures are in the area of operating costs which include salaries and benefits, professional services, travel, etc. Grant expenses comprise 17% of the total, debt service expenditures 20%, and transfers to other state agencies 62%.

Expenses for business-type activities totaled $16,438,603. The majority of expenses for business-type activities were for debt service at 44%, transfers to other agencies amounted to 31%. With in the operating cost category salaries and benefits comprised 5%, all other operating costs such as repairs and maintenance, travel, supplies etc. comprised 17% of total expenditures. Provision for loan losses amounted to 3%.

Change in Net Assets

The NMFA's over all change in net assets for fiscal year 2002 was an increase of $46,885,743.

As the NMFA completed the year, its governmental-type activities reported an increase of $19,067,046. The primary reason for this increase is the receipt of revenues dedicated to State building and automation bonds above anticipated levels.

The NMFA's business-type activities net assets increased $27,818,697. The primary reasons for the increase relates to the relatively low operating costs for each program and the receipt of funding revenues at anticipated levels.

Budgetary Highlights

For FY 2002 the NMFA completed the year with a favorable variance of $221,212 for its combined total of all budgeted funds (please see Table A-3). For all budgeted programs, there were no revisions or increases made to the original budget during the course of the year.

Table A-3

Grand Total of all Funds

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Administrative Fees – Operating	$ 580,410	$ 584,076	$ 3,666
Setaside Revenue	229,734	129,334	(100,400)
Reimbursement Revenue	754,127	487,906	(266,221)
Interest Income	-	7,911	7,911
Total Revenue	1,564,271	1,209,227	(355,045)
Operating Transfers in	447,065	551,096	104,031
Total Revenue and transfers in	$ 2,011,336	$ 1,760,323	$ (251,013)

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personnel Services	$ 871,050	$ 808,943	$ 62,107
Employee Benefits	361,145	270,726	90,418
In-State Travel	28,591	37,171	(8,580)
Maintenance and Repairs	13,999	14,051	(52)
Office Supplies	29,700	29,041	659
Contractual Services	453,382	409,780	43,602
Operating Costs	197,679	190,127	7,552
Out-of-State Travel	20,050	7,058	12,992
Total Current Expenditures	1,975,595	1,766,898	208,698
Capital Outlay	35,743	23,229	12,514
Total Expenditures	$ 2,011,338	$ 1,790,127	$ 221,212

Capital Assets and Debt Administration

At the end of fiscal year 2002, the NMFA has invested a total of $232,459 in business-type activities, there has been no investment in fixed assets for government-type activities. During FY 2002 capital outlay expenditures total $9,916. This amount represents purchases for technical upgrades and leasehold improvements. More detailed information about the NMFA's capital assets is presented in Note 8 to the financial statements.

Long-Term Debt

The NMFA's long term debt is all outstanding bond issues related to the various programs administered by the NMFA. At the end of fiscal year 2002, the total amount outstanding was $322.5 million. More detailed information about the NMFA's long-term debt is presented in Note 9 to the financial statements.

Subsequent to June 30, 2002, the NMFA issued $24,900,000 in bonds in the Metro Court Financing Fund and $55,610,000 in the Public Project Revolving Fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The FY 2003 budget accommodates the NMFA's administration of six programs paid from different sources of revenue:

- General operations of the NMFA, funded from administration fees and cigarette tax revenue;
- Administration of the new Water Trust Board funded from the Water Project Fund;
- Water and Wastewater Grant Fund (W/WWGF)program operations, funded from the W/WWGF;
- Drinking Water Revolving Loan Fund (DWRLF) Program operations, funded from the federal capitalization grant;
- PPRF Loan Servicing, funded from the PPRF;
- The Water and Wastewater Planning Fund (WPF), funded from the WPF (new).

The NMFA Board approved two budgets for FY 2003. The NMFA's primary operating budget for FY 2003 is $2,113,367, compared to the FY 2002 budget of $2,011,337, a 5% increase. In June 2002, the NMFA Board approved a supplemental budget of $235,714 to handle the increase of activity in the Emergency Drought Relief efforts, bringing the total FY 2003 Budget to $2,349,081.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, legislators, and investors and creditors with a general overview of the NMFA's finances and to demonstrate the NMFA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

New Mexico Finance Authority
409 St. Michael's Drive
Santa Fe, New Mexico 87505

NEW MEXICO FINANCE AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2002

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents (Note 3)	$ 95,824,604	63,289,114	159,113,718
Receivables:			
Taxes	2,541,517	1,585,636	4,127,153
Interest	52,754	1,312,732	1,365,486
Grant and other	-	1,168,517	1,168,517
Loans, net of allowance (Note 4)	114,156,445	159,420,502	273,576,947
Securities (Note 5)	-	15,483,862	15,483,862
Due from other funds (Note 6)	-	2,892,119	2,892,119
Cash and cash equivalents - restricted (Note 3)	41,368,984	52,976,923	94,345,907
Capital assets:			
Depreciable property and equipment, net (Note 3)	-	31,684	31,684
Deferred issuance costs	3,337,430	3,050,667	6,388,097
Other assets	4,515	2,406	6,921
Total assets	$ 257,286,249	301,214,162	558,500,411
LIABILITIES			
Accounts payable and accrued liabilities	$ 193,500	791,113	984,613
Accrued payroll, fringe benefits and compensated absences	8,601	74,365	82,966
Accrued interest payable	2,351,566	604,672	2,956,238
Debt service payable	293,298	13,252,162	13,545,460
Short-term notes payable	2,000,000	-	2,000,000
Funds held for others	20,922,174	31,952,612	52,874,786
Due to other state agencies	345,687	7,682,460	8,028,147
Due to other funds (Note 6)	2,892,119	-	2,892,119
Bonds payable, current (Note 9)	15,465,000	6,830,000	22,295,000
Bonds payable, long term (Note 9)	170,208,826	130,037,484	300,246,310
Total liabilities	214,680,771	191,224,868	405,905,639
NET ASSETS			
Invested in capital assets	-	31,684	31,684
Restricted for:			
Debt service	5,163,410	74,733,847	79,897,257
Program funds	22,364,694	34,983,511	57,348,205
Unrestricted	15,077,374	240,252	15,317,626
Total net assets	42,605,478	109,989,294	152,594,772
Total liabilities and net assets	$ 257,286,249	301,214,162	558,500,411

See Notes to Financial Statements.

NEW MEXICO FINANCE AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002

		Governmental - Activities	Business-type Activities	Total
Expenses - Capital Financing	$	45,577,075	16,438,603	**62,015,678**
Program revenues:				
Charges for services		5,645,176	8,492,679	**14,137,855**
Operating grants and contributions		32,500,000	12,600,327	**45,100,327**
Total program revenues		38,145,176	21,093,006	**59,238,182**
Net (expense) revenue		(7,431,899)	4,654,403	**(2,777,496)**
General revenues:				
Taxes:				
Governmental gross receipts and gross receipts taxes		21,553,375	22,462,325	**44,015,700**
Investment earnings		3,748,775	1,898,764	**5,647,539**
Transfers		1,196,795	(1,196,795)	**-**
Total general items and transfers		26,498,945	23,164,294	**49,663,239**
Change in net assets		19,067,046	27,818,697	**46,885,743**
Net assets - beginning		25,639,403	79,683,886	**105,323,289**
Cumulative effect of a change in accounting principle		(2,100,971)	2,486,711	**385,740**
Net assets - beginning, as restated		23,538,432	82,170,597	**105,709,029**
Net assets - ending	$	42,605,478	109,989,294	**152,594,772**

See Notes to Financial Statements.

NEW MEXICO FINANCE AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2002

	Administration Fee Revenue Program (TRIMS Project)	Metro Court Financing Fund	Highway 44 Financing Fund
ASSETS			
Cash and cash equivalents	$ -	17,445,012	-
Tax revenue receivable	791,707	1,102,157	-
Other assets	-	-	-
Due from other funds	-	-	-
Loans receivable	-	-	95,385,000
	791,707	18,547,169	95,385,000
Restricted Assets:			
Cash and cash equivalents held for others by trustee:			
Debt service	16,359,640	-	-
Bond reserve	28	1,792,477	170
Expense fund	18,521	-	39,981
Program - Grant proceeds for other state agency	-	2,611	4,819,258
Program - Bond proceeds	-	-	-
Total restricted assets	16,378,189	1,795,088	4,859,409
Total assets	$ 17,169,896	20,342,257	100,244,409
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$ -	7,936	39,981
Debt service payable	-	99,155	170
Notes payable	-	-	-
Funds held for others	-	-	4,819,258
Due to other state agencies	-	-	-
Due to other funds	-	-	-
Bonds payable	-	-	-
Total liabilities	-	107,091	4,859,409
Fund balances (deficit) - reserved for:			
Debt service	17,169,896	20,235,166	95,385,000
Special revenue funds	-	-	-
Total fund balances	17,169,896	20,235,166	95,385,000
Total liabilities and fund balances	$ 17,169,896	20,342,257	100,244,409

See Notes to Financial Statements.

Federal Highway Forest Road Financing Fund	State Building Program Cigarette Tax	Water and Wastewater Project Grant Fund	Water Project Fund	Other Governmental Funds	**Total Governmental Funds**
$ -	2,865,299	55,708,713	17,606,911	2,198,669	**95,824,604**
-	103,483	-	-	544,170	**2,541,517**
-	-	3,884	631	-	**4,515**
-	-	2,594	513	-	**3,107**
18,771,445	-	-	-	-	**114,156,445**
18,771,445	2,968,782	55,715,191	17,608,055	2,742,839	**212,530,188**
-	-	-	-	231,206	**16,590,846**
113,516	323,663	-	-	125,052	**2,354,906**
-	-	-	-	36	**58,538**
-	99,362	-	-	76,325	**4,997,556**
16,102,916	902,322	-	-	361,900	**17,367,138**
16,216,432	1,325,347	-	-	794,519	**41,368,984**
$ 34,987,877	4,294,129	55,715,191	17,608,055	3,537,358	**253,899,172**
$ 40,000	-	92,521	16,481	5,182	**202,101**
113,516	-	-	-	80,457	**293,298**
-	2,000,000	-	-	-	**2,000,000**
16,102,916	-	-	-	-	**20,922,174**
-	-	-	-	345,687	**345,687**
-	-	2,821,813	73,413	-	**2,895,226**
-	-	-	-	-	**-**
16,256,432	2,000,000	2,914,334	89,894	431,326	**26,658,486**
18,731,445	-	-	-	3,106,032	**154,627,539**
-	2,294,129	52,800,857	17,518,161	-	**72,613,147**
18,731,445	2,294,129	52,800,857	17,518,161	3,106,032	**227,240,686**
$ 34,987,877	4,294,129	55,715,191	17,608,055	3,537,358	**253,899,172**

NEW MEXICO FINANCE AUTHORITY
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

Total fund balances - governmental funds (Governmental funds balance sheet)	$ 227,240,686
Amounts reported for governmental activities in the statement of net assets are different because:	
Bond deferred issuance costs	3,337,430
Accrued interest payable	(2,351,566)
Interest receivable	52,754
Bonds payable	(183,765,600)
Bonds premium and discount, net	(1,908,226)
Net assets of governmental activities (Statement of net assets)	$ 42,605,478

[THIS PAGE INTENTIONALLY LEFT BLANK]

NEW MEXICO FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	Administration Fee Revenue Program (TRIMS Project)	Metro Court Financing Fund	Highway 44 Financing Fund
Revenues			
Tax revenue	$ 10,392,054	5,870,834	-
Grant revenue	-	-	-
Interest on loans	-	-	4,573,918
Interest on investments	1,208,767	802,648	-
Total revenues	11,600,821	6,673,482	4,573,918
Expenditures			
Administrative fee	70,874	68,521	-
Professional services	81,140	146,498	-
Salaries and fringe benefits	-	-	-
In-state travel	-	-	-
Maintenance and repairs	-	-	-
Operating costs	-	-	-
Grant expense	-	-	-
Total current expenditures	152,014	215,019	-
Debt service:			
Principal payments	4,100,000	-	4,845,000
Interest expense	350,360	1,564,724	4,573,918
Bond issuance costs	11,000	421,214	-
Total debt service expenditures	4,461,360	1,985,938	9,418,918
Excess (deficiency) of revenues over expenditures	6,987,447	4,472,525	(4,845,000)
Other Financing Sources (Uses)			
Bond proceeds	-	33,000,000	-
Transfers (to) from other funds	-	1,747,891	-
Transfers to other state agencies	-	(23,706,315)	-
Total other financing sources (uses)	-	11,041,576	-
Net change in fund balance	6,987,447	15,514,101	(4,845,000)
Fund balances (deficit) - beginning	(13,017,151)	4,721,065	-
Cumulative effect of change in accounting principle	23,199,600	-	100,230,000
Fund balances (deficit), beginning	10,182,449	4,721,065	100,230,000
Fund balances (deficit), ending	$ 17,169,896	20,235,166	95,385,000

See Notes to Financial Statements.

Federal Highway Forest Road Financing Fund	State Building Program Cigarette Tax	Water and Wastewater Project Grant Fund	Water Project Fund	Other Governmental Funds	**Total Governmental Funds**
$ -	1,366,631	-	-	3,923,856	**21,553,375**
-	-	15,000,000	17,500,000	-	**32,500,000**
942,256	-	-	-	76,248	**5,592,422**
-	185,723	1,329,901	107,422	114,314	**3,748,775**
942,256	1,552,354	16,329,901	17,607,422	4,114,418	**63,394,572**
-	-	-	-	66,654	**206,049**
40,000	8,700	71,563	16,722	8,259	**372,882**
-	-	112,388	45,552	-	**157,940**
-	-	3,739	9,199	-	**12,938**
-	-	1,287	532	-	**1,819**
-	-	24,824	17,256	-	**42,080**
-	4,000,000	3,644,580	-	-	**7,644,580**
40,000	4,008,700	3,858,381	89,261	74,913	**8,438,288**
705,000	600,000	-	-	1,124,000	**11,374,000**
942,256	153,300	-	-	944,937	**8,529,495**
-	-	-	-	-	**432,214**
1,647,256	753,300	-	-	2,068,937	**20,335,709**
(745,000)	(3,209,646)	12,471,520	17,518,161	1,970,568	**34,620,575**
-	-	-	-	-	**33,000,000**
-	(551,096)	-	-	-	**1,196,795**
-	-	-	-	(1,956,437)	**(25,662,752)**
-	(551,096)	-	-	(1,956,437)	**8,534,043**
(745,000)	(3,760,742)	12,471,520	17,518,161	14,131	**43,154,618**
236,445	3,130,871	40,329,337	-	(9,761,164)	**25,639,403**
19,240,000	2,924,000	-	-	12,853,065	**158,446,665**
19,476,445	6,054,871	40,329,337	-	3,091,901	**184,086,068**
$ 18,731,445	2,294,129	52,800,857	17,518,161	3,106,032	**227,240,686**

NEW MEXICO FINANCE AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

Total fund balances - governmental funds (Governmental funds balance statement of revenues, expenditures and changes in fund balance)	$	43,154,618
Amounts reported for governmental activities in the statement of net activities are different because:		
Issuance of bonds		(33,000,000)
Bond debt service principal payments		11,374,000
Amortization of bond issuance costs		(325,593)
Capitalization of bond issuance costs		432,214
Bond premium and discount		(269,381)
Interest expense on long-term debt is recognized when paid under the modified accrual basis of accounting		(2,351,566)
Interest receivable more than 60 days after year end does not meet the criteria specified for measurable and available under the modified accrual basis of accounting.		52,754
Net assets of governmental activities (Statement of activities)	$	19,067,046

[THIS PAGE INTENTIONALLY LEFT BLANK]

NEW MEXICO FINANCE AUTHORITY
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2002

	Operating Fund	Public Project Revolving Funds	DWRLF
ASSETS			
Cash and cash equivalents	$ 440,709	22,028,151	872,154
Receivables:			
Taxes	-	1,085,636	-
Interest	-	1,261,666	51,066
Grant and other	110,439	137,008	921,070
Due from other funds	236,387	2,818,706	-
Total current assets	787,535	27,331,167	1,844,290
Loans, net of allowance	-	141,063,379	13,106,096
Securities	-	15,483,862	-
Restricted assets - cash and cash equivalents	-	41,339,809	9,812,790
Capital assets:			
Depreciable property and equipment, net	18,696	6,205	6,783
Deferred issuance costs, net	-	2,629,995	-
Other assets	2,406	-	-
Total assets	$ 808,637	227,854,417	24,769,959
LIABILITIES			
Accounts payable and other liabilities	$ 12,717	324,336	132,492
Accrued payroll, fringe benefits and compensated absences	62,120	5,048	7,197
Accrued interest payable	-	468,416	-
Debt service payable	-	12,823,559	393,356
Funds held for others	-	22,404,987	9,525,789
Due to other state agencies	588,349	4,257,689	357,062
Due to other funds	-	100,000	62,974
Bonds payable, current	-	5,665,000	-
Total current liabilities	663,186	46,049,035	10,478,870
Bonds payable, long-term	-	97,132,079	-
Total liabilities	663,186	143,181,114	10,478,870
NET ASSETS			
Invested in capital assets	18,696	6,205	6,783
Restricted for:			
Debt service	126,755	51,378,999	14,137,718
Program funds	-	33,047,847	146,588
Unrestricted	-	240,252	-
Total net assets	145,451	84,673,303	14,291,089
Total liabilities and net assets	$ 808,637	227,854,417	24,769,959

See Notes to Financial Statements.

Primary Care Capital Fund	State Building Purchase Fund	Totals
$ 293	39,947,807	**63,289,114**
-	500,000	**1,585,636**
-	-	**1,312,732**
-	-	**1,168,517**
-	-	**3,055,093**
293	40,447,807	**70,411,092**
5,251,027	-	**159,420,502**
-	-	**15,483,862**
1,824,324	-	**52,976,923**
-	-	**31,684**
-	420,672	**3,050,667**
-	-	**2,406**
$ 7,075,644	40,868,479	**301,377,136**
$ -	321,568	**791,113**
-	-	**74,365**
-	136,256	**604,672**
35,247	-	**13,252,162**
21,836	-	**31,952,612**
-	2,479,360	**7,682,460**
-	-	**162,974**
-	1,165,000	**6,830,000**
57,083	4,102,184	**61,350,358**
-	32,905,405	**130,037,484**
57,083	37,007,589	**191,387,842**
-	-	**31,684**
5,229,485	3,860,890	**74,733,847**
1,789,076	-	**34,983,511**
-	-	**240,252**
7,018,561	3,860,890	**109,989,294**
$ 7,075,644	40,868,479	**301,377,136**

NEW MEXICO FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	Operating Fund	Public Project Revolving Funds	DWRLF
Interest earnings:			
Interest on loans	$ -	7,341,753	190,880
Interest on investments	7,911	1,118,557	178,612
Total interest earnings	7,911	8,460,310	369,492
Interest expense:			
Debt service - interest expense	-	6,275,041	-
Net interest earnings	7,911	2,185,269	369,492
Provision for loan losses	-	407,854	-
Net interest earnings after provision for loan losses	7,911	1,777,415	369,492
Non-interest earnings:			
Tax revenue	-	15,462,325	-
Federal grant revenue	-	-	3,166,311
Revolving loans grant revenue	-	-	9,434,016
Administrative fees	584,076	335,182	6,378
Total non-interest earnings	584,076	15,797,507	12,606,705
Non-interest expense			
Grant expense	-	1,016,213	-
Bond issuance costs	-	168,759	-
Administrative fee	-	335,212	-
Professional services	100,564	586,145	82,195
Salaries and fringe benefits	726,949	94,490	129,847
In-state travel	20,159	31	4,042
Out of state travel	3,562	-	1,576
Maintenance and repairs	9,674	1,058	1,500
Supplies	19,824	1,704	1,889
Operating costs	113,171	15,465	22,206
Depreciation	9,728	3,670	8,628
Total non-interest expense	1,003,631	2,222,747	251,883
Total non-interest earnings (expense) before transfers	(419,555)	13,574,760	12,354,822
Transfers:			
Transfers in (out)	551,096	(1,747,891)	-
Transfers from (to) other state agencies	-	-	(2,687,336)
Total transfers	551,096	(1,747,891)	(2,687,336)
Change in net assets	139,452	13,604,284	10,036,978
Total net assets - beginning	5,999	68,582,308	4,254,111
Cumulative effect of change in accounting principle	-	2,486,711	-
Net assets-beginning, as restated	5,999	71,069,019	4,254,111
Total net assets - ending	$ 145,451	84,673,303	14,291,089

See Notes to Financial Statements.

Primary Care Capital Fund	State Building Purchase Fund	Totals
$ 34,410	-	**7,567,043**
142,682	451,003	**1,898,765**
177,092	451,003	**9,465,808**
-	899,125	**7,174,166**
177,092	(448,122)	**2,291,642**
-	-	**407,854**
177,092	(448,122)	**1,883,788**
-	7,000,000	**22,462,325**
-	-	**3,166,311**
-	-	**9,434,016**
-	-	**925,636**
-	7,000,000	**35,988,288**
-	-	**1,016,213**
-	12,046	**180,805**
-	19,660	**354,872**
-	179,922	**948,826**
-	-	**951,286**
-	-	**24,232**
-	-	**5,138**
-	-	**12,232**
-	-	**23,417**
-	-	**150,842**
-	-	**22,026**
-	211,628	**3,689,889**
-	6,788,372	**32,298,399**
-	-	**(1,196,795)**
-	(2,479,360)	**(5,166,696)**
-	(2,479,360)	**(6,363,491)**
177,092	3,860,890	**27,818,696**
6,841,469	-	**79,683,887**
-	-	**2,486,711**
6,841,469	-	**82,170,598**
$ 7,018,561	3,860,890	**109,989,294**

NEW MEXICO FINANCE AUTHORITY
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2002

		Operating Fund	Public Project Revolving Funds	Drinking Water Fund
Cash Flows From Operating Activities:				
Cash paid for employee services	$	(728,414)	(89,442)	(130,556)
Cash paid to vendors for services		(274,227)	(1,282,051)	(23,850)
Interest expense paid		-	(5,806,625)	-
Grants awarded		-	(1,016,213)	311,971
Tax revenue		-	15,720,099	-
Cash received from federal government for revolving loans		-	-	9,434,016
Interest income received		7,911	8,130,682	318,426
Administrative fees received		473,637	335,182	6,378
Net cash (used) provided by operating activities		(521,093)	15,991,632	9,916,385
Cash Flows From Non-Capital Financing Activities:				
Operating transfers		1,139,445	(1,747,891)	-
Cash paid to subrecipients for services		-	-	(2,687,334)
Federal grant revenue received		-	-	2,600,919
Cash provided by funds held for others		(228,849)	(10,025,356)	7,477,048
Net cash provided (used) by non capital financing activities		910,596	(11,773,247)	7,390,633
Cash Flows From Capital and Related Financing Activities:				
Securities		-	841,376	-
Loans funded		-	(33,338,056)	(9,434,016)
Loan payments received		-	14,504,137	-
Cash received from federal government for revolving loans		-	-	-
Bonds issued		-	-	-
Payment of bonds		-	(9,817,759)	-
Fixed asset purchases		(11,619)	(4,869)	(4,013)
Net cash provided (used) by capital and related financing activities		(11,619)	(27,815,171)	(9,438,029)
Net increase (decrease) in cash and cash equivalents		377,884	(23,596,786)	7,868,989
Cash and cash equivalents - beginning of year		62,825	86,964,746	2,815,955
Cash and cash equivalents - end of year	$	440,709	63,367,960	10,684,944
Reconciliation of operating income to net cash used by operating activities - operating income	$	139,452	13,604,284	10,036,980
Adjustments to operating income:				
Depreciation and amortization		9,728	172,429	8,628
Bad debt expense		-	407,854	-
Net transfers		(551,096)	1,747,891	-
(Increase) decrease in prepaids and receivables		(112,845)	(71,854)	(611,428)
Increase (decrease) in payables and other accrued liabilities		(6,332)	131,028	482,205
Net cash (used) provided by operating activities	$	(521,093)	15,991,632	9,916,385

See Notes to Financial Statements.

Primary Care Fund	State Building Purchase Fund	Totals
$ -	-	(948,412)
-	121,986	(1,458,142)
-	(762,869)	(6,569,494)
-	-	(704,242)
-	6,500,000	22,220,099
-	-	9,434,016
177,092	451,003	9,085,114
-	-	815,197
177,092	6,310,120	31,874,136
-	-	(608,446)
-	-	(2,687,334)
-	-	2,600,919
(955,410)	-	(3,732,567)
(955,410)	-	(4,427,428)
-	-	841,376
-	-	(42,772,072)
228,705	-	14,732,842
-	(432,718)	(432,718)
-	34,695,000	34,695,000
-	(624,595)	(10,442,354)
-		(20,501)
228,705	33,637,687	(3,398,427)
(549,613)	39,947,807	24,048,281
2,374,230	-	92,217,756
$ 1,824,617	39,947,807	116,266,037
$ 177,092	3,860,890	27,818,698
-	12,046	202,831
-	-	407,854
-	-	1,196,795
-	(500,000)	(1,296,127)
-	2,937,184	3,544,085
$ 177,092	6,310,120	31,874,136

NOTE 1. ORGANIZATION

The Laws of 1992, Chapter 61, as amended, created the New Mexico Finance Authority (Authority). The purpose of the New Mexico Authority Act (Act), is to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.

The Authority's governing board is composed of twelve members. The State Investment Officer, the Secretary of the Department of Finance and Administration, the Secretary of Economic Development, the Secretary of Energy, Minerals and Natural Resources, the Secretary of the Environment Department, the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties are ex-officio members of the Authority with voting privileges. The Governor, with the advice and consent of Senate, shall appoint to the Authority the chief financial officer of an institution of higher education and four members who are residents of the state. The appointed members serve at the pleasure of the governor.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the state except as specifically provided in the New Mexico Finance Authority Act.

The Act specifically excludes the Authority from the definition of "state agency" or "instrumentality" in any other law of the state unless specifically referred to in the law.

The Attorney General's Opinion dated December 23, 1992, concludes that the Authority is an agency of the state at least for certain purposes. The Opinion subjects the Authority to the Open Meetings Act and concludes that the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Opinion excludes the Authority from other sections of the Per Diem and Mileage Act, the Procurement Code and DFA vouchering requirements.

Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof.

The Authority is a governmental entity in accordance with Governmental Accounting Standard Board Statement No. 14. The Authority is a governmental entity because it was established by statute; its relationship with other governmental entities; the governmental make-up of the Authority's governing board; sources of tax revenue and can issue tax-exempt debt.

NOTE 1. ORGANIZATION (CONTINUED)

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government". The Authority is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The new reporting model focus is on either the Authority as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Authority includes only one function (infrastructure financing).

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. The Authority does not currently employ indirect cost allocation systems.

The government-wide focus is more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Totals on the business-type activities (Enterprise) fund statements match the business type activities column presented in the government-wide statements, since there are no reconciling items.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Authority's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the governmental-wide presentation.

The financial transactions of the Authority are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

The new reporting model, GASB Statement 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. Neff + Ricci LLP assisted the Authority to prepare the financial statements.

The Authority uses the following fund types:

Governmental Fund Types. The focus of governmental fund measurement (in the fund financial statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Authority.

Special Revenue Funds. The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Building Program-Cigarette Tax. This accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico cigarette taxes, for the purpose of financing building projects in New Mexico. Section 7-1-6.11, NMSA, 1978 Compilation provides for a distribution to the Authority of seven and one-eighth percent of the net receipts attributable to the cigarette tax with the first distribution made as of August 1, 1993. The cigarette tax monies were used by the Authority to finance the construction of a cancer research center and sell revenue bonds in compliance with the New Mexico Finance Authority Act in an amount of six million dollars ($6,000,000) for the purpose of designing, constructing, equipping and furnishing an addition to the Cancer Center at the University of New Mexico. The bonds were issued on July 11, 1996. The cigarette tax proceeds distributed to the New Mexico Finance Authority pursuant to Section 7-1-6.11 NMSA 1978 are appropriated to the Authority to be pledged irrevocably for the payment of the principal or interest on the bonds or any payments for refunding or redemption premiums on the bonds and for payment of the costs incurred by the Authority related to authorization, issuance and sale of the bonds.

The Laws of 1993, Chapter 358, authorizes funds in the State Building Program-Cigarette Tax, in excess of the amount necessary for payment of principal and interest on outstanding bonds and necessary reserves or sinking funds, to be transferred to any other account of the Authority as needed for purposes of the New Mexico Finance Authority Act.

Water and Wastewater Project Grant Fund. This fund was created with the passage of Senate Bill 662 during the 1999 Legislative Session. This grant fund is to use the net proceeds of the sale of bonds, pursuant to the provisions of Section 6-21-6.1 NMSA 1978, for the purposes of water and wastewater projects and payable from the public project revolving fund. Money in the water and wastewater project grant fund is appropriated to the Authority to make grants to qualified entities for water and wastewater public projects pursuant to special authorization by law for each project and to pay administrative costs of the water and wastewater project grant program.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any unexpended or unencumbered balance remaining at the end of the fiscal year shall not revert to the State's general fund. There was no sale of bonds made for this program for the year ended June 30, 2002.

Water Project Fund. This fund was created with the passage of Senate Bill 169 during the 2001 legislative session. The purpose of this fund is to provide for water use efficiency, resource conservation and protection and fair distribution and allocation of water. The Water Projects Fund was created in the Authority and consists of distributions made from the Water Trust Fund and payments of principal and interest on loans approved for water projects. The fund also consists of any other money appropriated, distributed or otherwise allocated to the fund for the purpose of supporting water projects pursuant to the provisions of the Water Projects Finance Act.

Debt Service Funds. The debt service funds are used to account for the accumulation of resources for, and the payment of general long-term obligation principal, interest, and related costs.

Administrative Fee Revenue Program (TRIMS Project). Chapter 125, Laws of New Mexico 1997 was enacted to authorize the Authority to sell up to $33,709,800 of bonds for the purpose of financing the New Mexico Taxation and Revenue Department (NMTRD) information management systems project (TRIMS Project). The TRIMS Project is an integration and updating of on-line, multi-user systems that process taxation, motor vehicle tax and fee collections, revenue distributions and information processing by the NMTRD. Revenue from NMTRD's administrative fees is pledged to repay the bonds. The Authority issued $17,440,660 of Administrative Fee Revenue Bonds Series 1997A in September 1997. The Authority issued the remaining $16,269,140 Administrative Fee Revenue Bonds Series 1999A in September 1999.

Metro Court Financing Fund. The laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. The bonds were issued on August 1, 2001. The pledged revenues for the project consist of a portion of the docketing fees and costs collected by various courts of the state, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the motor vehicle code involving the operation of a motor vehicle.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Highway 44 Financing Fund. Series 1998A Bonds were issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMSA 1978, as amended, and the Indenture. The Series 1998A Bonds were issued by the Authority to finance the cost of an infrastructure project, which includes the acquisition, construction, expansion and improvement of approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes by the New Mexico Highway and Transportation Department (NMSHTD), and are payable solely from the NMFA's rights to payments under a Loan Agreement between the NMFA and NMSHTD. $100,230,000 of Federal Highway Grant Anticipation Revenue Bonds was issued on September 1, 1998. The Obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a revenue pledge, which consists of certain revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

Forest Highway Forest Road Financing Fund. Series 2001 Bonds were issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMSA 1978, as amended, and the Indenture. The Series 2001 Bonds were issued to finance the cost of an infrastructure project, which includes the design, reconstruction, expansion and improvement of all or parts of U.S. Highway 70 (Forest Highway 34), U.S. Highway 64 (Forest Highway 9), New Mexico Highway 126 (Forest Highway 12) and New Mexico Highway 12 (Forest Highway 21) to the extent for funding as part of the Federal Lands Highway Program and the New Mexico Statewide Transportation Improvement Program by the New Mexico State Highway and Transportation Department ("NMSHTD"). The Series 2001 Bonds are payable Solely from certain of the NMFA's rights to payments under a Loan Agreement (the "Series 2001 Loan Agreement") between the NMFA and NMSHTD. The obligations of NMSHTD under the Series 2001 Loan Agreement are payable solely from and secured by a pledge of the "Pledge Revenues," which consist of certain revenues received by or on behalf of NMSHTD pursuant to Chapters 1 and 20 of Title 12, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

Workers' Compensation Financing Fund. This accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico workers' compensation assessments for the purpose of financing an office building for the Workers' Compensation Administration.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Laws of 1993, Chapter 367, Section 73, effective April 8, 1993, as amended by Laws of 1994, Chapter 91, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $3,500,000 for planning, designing, constructing, equipping and furnishing a state office building for the Workers' Compensation Administration that complies with the American with Disabilities Act of 1990. The 1994 amendment authorized the Authority to issue and sell additional revenue bonds in an amount not to exceed $2,500,000 when the property control division of the General Services Department certifies the need for issuance of the bonds. The bond proceeds are for acquiring land and making site improvements for the aforementioned state building. The parties have entered into a joint powers agreement to accomplish this purpose. $4,310,000 of bonds were issued during July 1996. The first $.40 of the workers' compensation assessment imposed pursuant to Section 52-5-19, NMSA, 1978 is distributed to the Authority and is appropriated to be pledged irrevocable for payment of principal, interest, any premium and expenses related to the issuance and sale of the bonds. Revenue distributed to the Authority shall be deposited in a special bond fund or account and any money distributed to the Authority shall be deposited in a special bond fund or account and any money remaining in the fund at the end of each calendar quarter, after all current obligations and any sinking fund requirements are met shall be transferred to the workers' compensation administration fund upon request. Also, according to the joint powers agreement in effect, any surplus bond proceeds and interest will be used for the project.

Upon payment of all principal and interest and any other obligations or expenses related to issuance of the bonds, the Authority shall certify to the Taxation and Revenue Department that all obligations have been fully discharged and direct the Department to cease payments of workers' compensation assessment fee revenue to the Authority.

State Capitol Improvement Financing Fund. The laws of 1997, Chapter 178, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $10,155,000 for the purpose of repairing, remodeling, constructing and equipping a State building located adjacent to the state capitol in Santa Fe known as the New Mexico state library and for relocation-associated renovations in the state capitol. $510,000 of revenue bonds were issued on May 17, 1999, and $8,805,000 of revenue bonds were issued on June 1, 1999, for a total outstanding of $9,315,000. Monthly, all income and distributions creditable to the capitol buildings repair fund shall be distributed by the State Treasurer to the Authority and are appropriated to the Authority to be pledged irrevocable for the payment of the bonds.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment Loan Fund. The Authority has established an equipment loan program under the Authority's legislation to assist local government entities in the financing and purchase of equipment. The Authority has issued the following Pooled Equipment Certificates of Participation. In October 1994, the Authority issued \$646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were loaned to ten local governments in the state. On August 29, 1995, NMFA issued \$4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A, the proceeds of which were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued \$2,904,000 aggregate principal amount of its Equipment Program Certificates of Participation, Series 1995B, the net proceeds of which were loaned to the City of Las Cruces. On December 3, 1996, the Authority issued \$1,820,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation Series 1996B, the proceeds of which were loaned to various governmental entities in the state.

The loans are assigned to a trustee by the Authority and the only sources of repayment are various sources of local government revenues secured by intercept agreements and paid to the trustee. These certificates are not an obligation of the Authority. The funds are maintained by the trustees and are held in the Authority's and the local entity's names.

Insurance Department Financing Fund. The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount not to exceed \$1 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance. The Legislature imposed a three dollar (\$3.00) surcharge on the annual continuation of appointment fees on approximately 60,000 insurance agents subject to the fees to provide security for the bonds. On April 18, 1996, the New Mexico Insurance Department requested the Authority to issue \$525,000 of the authorized bonds for acquiring information and communication equipment. The bonds were privately placed in a transaction that closed on May 23, 1996, and the proceeds were transferred to the New Mexico Department of Insurance. The pledged revenues are paid to the Authority. Pledged revenue in excess of debt service and related expenditures may be appropriated by the Legislature to the Department of Insurance for the acquisition of information and communication equipment.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Court Automation Financing Program. The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount not to exceed $8.5 million for the purpose of financing acquisition of court automation systems for the state court system, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. $8.5 million of court automation fee revenue bonds were issued on June 25, 1996. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the state, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provisions of the motor vehicle code involving the operation of a motor vehicle. The pledged revenues are paid to the Authority. Pledged revenues in excess of debt service and related expenditures may be appropriated by the Legislature to the Administrative Office of the Courts for the acquisition of court automation systems. The Bond was defeased during 2001.

Proprietary Fund Types. The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. The Authority does not apply FASB pronouncements issued after November 30, 1989, to its proprietary funds or business type activity accounting. The only proprietary fund types the Authority has are enterprise funds.

Enterprise Funds. Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services including capital costs, be recovered with fees and charges or (c) has a pricing policy designed for the fees and charges to recover similar costs.

Operating Fund. The operating fund of the Authority accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Public Projects Revolving Fund. This fund is used to account for governmental gross receipts tax (GGRT) proceeds received under the Laws of 1994, Chapter 145, Section 1. The Authority receives an amount equal to 75% of the net receipts attributable to GGRT pursuant to Section 7-1-6.1, NMSA 1978.

Of the GGRT revenues directed to the Authority's Public Project Revolving Fund, which are not used to pay debt service on PPRF obligations, an aggregate amount not to exceed 35% shall be available for appropriation by the Legislature to the following funds for local infrastructure financing: the water and wastewater grant project grant fund, the wastewater facility construction loan fund, the rural infrastructure revolving

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

loan fund, the solid waste facility grant fund, and the drinking water state revolving loan fund. The remaining GGRT revenue deposited may be granted or loaned directly by the Authority to qualified entities or "leveraged" by pledging the revenue stream to the issuance of bonds and granting, or lending, the bond proceeds. All projects to be financed must be approved by the Legislature.

New Mexico Drinking Water State Revolving Loan Fund. The New Mexico Drinking Water State Revolving Loan Fund Act (Act) creates the New Mexico Drinking Water State Revolving Loan Fund (DWRLF), which is administered by the Authority.

The Authority is charged with establishing, in cooperation with the New Mexico Environment Department, a loan program to provide local authorities with low-cost financial assistance in the construction of necessary drinking water facilities.

Money deposited into the DWRLF may be used: 1) to make loans at or below the market rate for eligible purposes for terms no longer than twenty years after completion of construction (loans for disadvantaged communities are the exception and may be for terms up to thirty years); 2) to buy or refinance a municipality's debt obligation, if combined with a new project, if the debt was incurred after July 1, 1993; 3) to guarantee or buy insurance for a local obligation to improve credit access or market rates; 4) as a source of revenue of security for the payment of principal and interest on revenue or general obligation bonds issued by the State, if the proceeds will be deposited in the DWRLF; and, 5) to earn interest on the amounts deposited into the DWRLF. The Act states further that grants from the federal government or its agencies, allotted to New Mexico for capitalization of the DWRLF, shall be directly deposited into the DWRLF and the Authority shall maintain full authority for the operation of the DWRLF, in accordance with applicable federal and state law.

Primary Care Capital Fund. The Laws of 1994, Chapter 62, created the Primary Care Capital Fund to provide funding for capital projects to eligible entities in order to increase health care services in rural and other health care under served areas in the state. The revolving fund, to be administered by the Authority, shall consist of appropriations, loan repayments, gifts, grants, donations and interest earned on investment of the fund. Money in the fund shall not revert at any fiscal year end. The State of New Mexico Department of Health, and the Authority administer the loan programs and contracts for services established pursuant to the Primary Care Capital Funding Act. The Department of Health, in conjunction with the Authority, shall adopt regulations to administer and implement the Act. Laws of 1994, Chapter 147, appropriated $5,000,000 for the Primary Care Capital Fund for rural primary care capital funding. Laws of 1994, Chapter 6, appropriated $95,000 to the Department of Health to contract with the Authority for assistance to the Department and administration of the Primary Care Capital Fund.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Office Building Financing Fund. The laws of 2001, Chapter 166 and Chapter 199, authorized the Authority to issue revenue bonds for the financing of acquisition, construction, equipping, and otherwise improving land and buildings for the General Services Department of the State of New Mexico. The initial project consists of (1) purchasing the National Educational Association Building on South Capitol Street in Santa Fe, New Mexico, (2) paying the costs of planning, designing, constructing and furnishing a new office building with integrated parking at the West Capitol Complex on Cerrillos Road in Santa Fe, New Mexico and (3) purchasing land adjacent to the District Five Office of the New Mexico State Highway and Transportation Department on Cerrillos Road in Santa Fe, New Mexico. In addition to the extent proceeds of the Bonds are not used for the projects listed in the preceding sentence, the Project may included the acquisition of the Public Employees Retirement Association Building on Paseo de Peralta in Santa Fe, New Mexico. The General Services Department of the State is responsible for obtaining any required approvals to proceed with the project and to negotiate the purchases of a portion of the project and to pursue the completion of the project. The Director of the Property Control Division of the General Services Department has certified that the project is needed and can be completed within a reasonable time. Planning and negotiations have begun by the Property Control Division to complete the project.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authorities enterprise funds are charges to customers for interest and fees. Operating expenses for enterprise funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Basis of Accounting. Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements and the proprietary financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrual. The enterprise funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual. All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient. The Authority was unable to reasonably estimate the amount of revenue earned but not yet received by the Taxation and Revenue Department by the June 30 year end. As a result, the amount is not included as revenue in the financial statements.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer, Wells Fargo and with banks acting as bond trustees. Cash in the various programs on deposit with the State Treasurer are invested by the New Mexico State Treasurer in the "overnight" repurchase program.

Interest is credited to the various programs based on the programs average monthly balance. Average monthly interest rates are also used in determining the interest to be credited to the various programs. In general, state statues require that all deposits held by the State Treasurer be collateralized at a minimum level of 50%. Separate financial statements of the State Treasurer indicate collateral, categories of risk and market value of purchased investments which may differ from the cash deposited by the Authority. Funds held by the banks and the Authority acting as trustees are invested in money market accounts that invest in United States Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. State law requires that repurchase agreements be secured by collateral with a market value greater then 102% of the value of the agreement.

Money in all funds of the Authority may be deposited with the State Treasurer for short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico or any political subdivision of the State or as otherwise provided by the trust indenture or bond resolution, if funds are pledged for or secure payment of bonds issued by the Authority.

Securities. The Authority has purchased State of New Mexico Department of Energy, Minerals and Natural Resources, Jemez Springs, and New Mexico Interstate Stream Commission bonds which are recorded at cost which approximates market value.

Loans. Loans are stated at their principal amount. Interest on loans is accrued for based on the daily principal balance outstanding except when a loan has been past due for 90 days. All significant loans are to governmental entities secured by tax revenue or are loaned to other entities, which are repaying the loans in accordance with their loan agreements. There are no loans past due for more than 90 days at the end of the fiscal year, which would be required to be placed on nonaccrual status.

Allowance for Loan Losses. The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors; including collateral value, past loan loss experience, current facts, and economic conditions. The allowance is based on management's estimates and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and, any necessary adjustments are reported in income in the period they become known.

Property, Furniture and Equipment. Property, furniture and equipment purchased or acquired at a value of $1,000 or greater are capitalized. Property, furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment purchases with useful lives over one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets which range from 3 to 7 years. In addition, furniture and equipment with lives of one year or less, and maintenance and repairs, which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

Income Taxes. The Authority is a tax exempt, quasi-governmental organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Authority is subject to other Internal Revenue Code sections relating to the tax-exempt status of the bonds issued by the Authority.

Accrued Compensated Absences Payable. Full-time employees are entitled to ten days annual leave with four years or less employment with the Authority. Employees with more than four years receive fifteen days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Full-time employees are entitled to twelve days of sick leave each fiscal year. Part-time employees accrue annual leave and sick leave on a prorated basis based on the number of hours they work. A full-time employee may receive cash payment at a rate of 50% of their hourly wage for any accrued sick leave in excess of forty hours up to a maximum of one hundred twenty hours on the first full pay period in July. An employee may accrue a maximum of 1,040 hours. Accumulated sick leave is not compensated on termination of employment unless the employees retire. Then the employee can be paid for accrued sick leave in the excess of 600 hours at 50% of their hourly wage rate, not to exceed 440 hours. Accrued compensated absences are recorded in the operating fund.

Budgets and Budgetary Accounting. The Authority prepares a budget for the operations fund and for the DWRLF. Theses budgets are approved by the Authority's board but are not legally binding. The budgets are also amended by the Authority's board. The budgets are prepared on a non-GAAP basis. The differences between the accounting on a budgetary basis and GAAP basis are that capital outlay is a budgetary expenditure and depreciation expense is not a budgetary expenditure.

Restricted Assets. Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or legislation. The cash and cash equivalents held for others by trustees have the following restricted assets. The "debt service and bond reserve" accounts are used to report resources held by trustee and set aside for future debt service payments. The "program-grant proceeds" account is used to report those proceeds of bond issuances that were issued to financial a grant to another state agency. The "program-bond proceeds" account is used to report those proceeds of bond issues that were loaned to other governmental entities, which the borrowers have not yet expended. The "cash and cash equivalents held for others by the Authority" account is used to segregate bond proceeds that will be used for specific purposes as required by legislation. "Cash and cash equivalent pledged for repayment of bonds and bond expenses held by trustee" is used to report funds set aside for debt repayment, bond issuance, and other costs by the Authority.

Cash Flows. For purposes of the Statement of Cash Flows, the various funds consider all highly liquid assets (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond Discounts, Premiums and Issuance Costs. In governmental fund types, bond discounts, premiums and issuance costs are recognized in the current period. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity. Reserves represent those portions of fund equity appropriated or legally segregated for a specific future use. Debt service fund balances are reserved based on the language in the trust agreements which require the bond proceeds be used for the specific purposes of the fund. Special revenue funds are reserved based on the statutory or bond trust restrictions.

Net Assets. The government-wide and business types Fund Financial Statements utilize a net asset presentation. Net Assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

Investment in fixed assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority has no capital asset related debt.

Restricted assets are liquid assets which have third-party (statutory, bond covenant or granting agency) limitations on their use when there is an option, the Authority spends restricted resources first.

Unrestricted assets represent liquid assets.

Use of Estimates. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statement and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund and Interagency Transactions. Interfund and Interagency Transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other Interfund transactions, except reimbursements and administrative fee transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Interagency transfers are recorded as operating transfers in (out) to other state agency under the other financing sources (uses) category.

NOTE 3. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE

Funds held for other and short-term investments are held at the trustees in the name of the applicable government entity and the Authority's. The following is a reconciliation of cash and cash equivalents to the financial statements.

Cash and cash equivalents:	
State Treasurer cash account (#879-385-04)	$ 1,767,240
State Treasurer Local Government Investment Pool	172,318,113
Money market accounts invested in American Performance U.S. Treasury Fund	33,121,103
Repurchase agreements	45,812,410
Wells Fargo bank accounts	440,759
	$ 253,459,625

The Authority's deposits are categorized to give an indication of the level of risk assumed by the Authority at year end. Category 1 includes deposits that are insured. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 represents deposits that are required by state statutes to be collateralized at a minimum level of 50%. All of the Authority's bank accounts are invested in repurchase agreements. Deposits with the State Treasurer are not required to be categorized.

	Category			Bank	Book
	1	2	3	Balance	Balance
Bank repurchase agreements	$ -	440,710	-	440,710	440,759

The New Mexico State Treasurer's Office is responsible to ensure that all accounts held by any bank for all State governmental entities have collateral at the required level for amount in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Authority.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10 F, NMSA 1978, at the end of each month all interest earned is distributed by the State

NOTE 3. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE (CONTINUED)

Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary. The investments are valued at fair value based on quoted market prices as of the valuation date.

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured or unregistered investments, or for which securities are held by the counter party's trust department or agent in the Authority's name. The Authority does not have any Category 2 investments. Category 3 represents uninsured and unregistered investments, not held in the Authority's name. The Authority does not have Category 3 investments. The fair value of the Authority's investments approximates market at June 30, 2002.

Funds held for others by trustees represent funds held by financial institutions as trustees and paying agents for the Authority for its various bond issues. The source of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts which invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations. The Authority's investments are held by financial institutions in the Authority's name.

NOTE 4. LOANS RECEIVABLE

Loan receivable balances consist of the following at June 30, 2002:

Entity	Loan Balance
Proprietary funds	
Public Project Revolving Loan Fund	$ 141,883,037
Less:	
Allowance for loan losses	(819,658)
	141,063,379
Primary Care Capital Fund	5,251,027
Drinking Water State Revolving Loan Fund	13,106,096
	159,420,502
Debt service funds	
Highway 44 Financing Fund	95,385,000
Federal Highway Forest Road Financing Fund	18,771,445
	114,156,445
	$ 273,576,947

NOTE 4. LOANS RECEIVABLE (CONTINUED)

Public Project Revolving Loan Fund

The Public Project Revolving Fund loans receivable balance at June 30, 2002, is $141,883,037 and consists of loans made to various entities.

Terms for the Public Project Revolving Loans vary with interest rates ranging from 3% to 6%. The following is a summary of future loan principal and interest to be collected based on the loan repayment schedules after year-end:

	Principal	Interest	Total
July 1, 2002 to June 30, 2007	$ 56,552,083	30,279,649	86,831,732
July 1, 2007 to June 30, 2012	42,433,216	19,961,350	62,394,566
July 1, 2012 to maturity	42,897,738	15,722,497	58,620,235
	$ 141,883,037	65,963,496	207,846,533

An analysis for the allowance for loan losses is as follows:

Balance, beginning of year	$ 411,804
Provision for loan losses	407,854
Balance, end of year	$ 819,658

Management considers non-accrual loans to be impaired. As of June 30, 2002 there are no non-accrual loans. Based on management's analysis, there are no other impaired loans as of June 30, 2002.

Primary Care Capital Fund. Terms for each loan vary with interest rates at 3%. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year end.

	Principal	Interest	Total
July 1, 2002 to June 30, 2007	$ 1,620,513	705,251	2,325,764
July 1, 2007 to June 30, 2012	1,934,163	453,466	2,387,629
July 1, 2012 to maturity	1,696,351	54,065	1,750,416
	$ 5,251,027	1,212,782	6,463,809

No allowance for uncollectible loans has been established as the primary care facilities and loan repayments are secured by applicable sources of pledged receivables.

NOTE 4. LOANS RECEIVABLE (CONTINUED)

Drinking Water State Revolving Loan Fund. Terms for the Drinking Water State Revolving Loans vary with interest rates ranging from 0% to 3%. The following is a summary of future loan principal and interest to be collected based on the loan repayment schedules after year end:

	Principal	Interest	Total
July 1, 2002 to June 30, 2007	$ 3,509,604	1,627,660	5,137,264
July 1, 2007 to June 30, 2012	4,211,480	1,207,326	5,418,806
July 1, 2012 to maturity	5,385,012	888,772	6,273,784
	$ 13,106,096	3,723,758	16,829,854

No allowance for uncollectible loans has been established as the Drinking Water Loans are secured by applicable sources of pledged receivables.

Highway 44 Financing Fund

The Highway 44 Financing Fund consists of one loan receivable with the New Mexico State Highway Department for $95,385,000 at June 30, 2002. Terms for the loan include an interest rate of 5.04%. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year end.

	Principal	Interest	Total
July 1, 2002 to June 30, 2007	$ 27,460,000	19,576,639	47,036,639
July 1, 2007 to June 30, 2012	34,030,000	12,747,172	46,777,172
July 1, 2012 to maturity	33,895,000	3,360,679	37,255,679
	$ 95,385,000	35,684,490	131,069,490

No allowance for uncollectible loans has been established as the State Highway Department is current on their payments and loan repayments are secured by applicable sources of tax revenues.

Federal Highway Forest Road Financing Fund. The Federal Highway Forest Road Financing Fund consists of one loan receivable with the New Mexico State Highway Department for $18,771,445 at June 30, 2002. Terms for the loan include an interest rate of 4.697%. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year end:

	Principal	Interest	Total
July 1, 2002 to June 30, 2007	$ 7,730,000	3,633,163	11,363,163
July 1, 2007 to June 30, 2012	11,041,445	1,382,285	12,423,730
	$ 18,771,445	5,015,448	23,786,893

NOTE 5. SECURITIES

At June 30, 2002, securities for the Public Project Revolving Fund (PPRF) consisted of $112,106,980 Department of Energy, Minerals, and Natural Resources Bonds (Series 1995A, 1995B, 1996A, 1996B, 1997A, 1997B, 1998A, and 1998B). $44,488 of Jemez Springs Bonds and $1,332,394 of Interstate Stream Commission Bonds (Series 1998). The Department of Energy, Minerals, and Natural Resource Bonds have interest rates ranging from 3% to 5.95% with final maturity on June 1, 2017. The Jemez Springs Bonds have interest rates ranging from 4.20% to 5.45% with a final maturity on May 1, 2012. The New Mexico Interstate Stream Commission Bonds have interest rates ranging from 5.92% to 6.19% with final maturity on May 1, 2008. The securities are carried at cost which approximates market value.

The following is a summary of future maturity and interest to be collected based on contractual maturity of the securities after year-end.

	Principal	Interest	Total
July 1, 2002 to June 30, 2007	$ 4,880,716	3,525,832	8,406,548
July 1, 2007 to June 30, 2012	5,045,050	2,250,594	7,295,644
July 1, 2012 to maturity	5,558,096	887,292	6,445,388
	$ 15,483,862	6,663,718	22,147,580

NOTE 6. DUE FROM/TO OTHER FUNDS AND TRANSFERS

These amounts represent interfund receivables and payables arising from interfund transactions within the Authority. These balances are netted as part of the reconciliation to the government-wide columnar presentation. Interfund receivables and payables as of June 30, 2002 consist of the following:

	Due To	Due From
Special Revenue Funds:		
Water and Wastewater Grant Fund	$ 2,821,813	2,594
Water Trust Board	73,413	513
	2,895,226	3,107
Enterprise Funds:		
Operations Fund	-	236,387
Public Project Revolving Fund	100,000	2,818,706
Drinking Water	62,974	-
	162,974	3,055,093
	$ 3,058,200	3,058,200

NOTE 6. DUE FROM/TO OTHER FUNDS AND TRANSFERS (CONTINUED)

The transfers between funds for the year ended June 30, 2002 consisted of a transfer from the Cigarette Tax Fund to the Operations Fund to fund the operations of the Authority in the amount of $551,096.

NOTE 7. DUE TO OTHER STATE AGENCIES, GRANTS AND TRANSFERS

During the 1996 fiscal year, the Authority granted the State of New Mexico Environment Department (Environment) $9,000,000 from the bond proceeds of the Public Project Revolving Fund Series 1995A and 1995B bonds, and during the 1997 fiscal year, the Authority granted $16,000,000 from the bond proceeds of the Public Project Revolving Fund Series 1996A and B bonds issued under the Authority's legislation and joint powers agreement with Environment. The Environment grant bond proceeds and interest income earned totaling $4,257,689 are accounted for in the Public Project Revolving Fund balance sheet under restricted assets as cash and cash equivalents held for state agency and due to state agencies.

The following debt service funds transferred these amounts from the applicable bond proceeds to these entities for the year ended June 30, 2002:

Worker Compensation Financing Fund transferred $1,175,096 in order to rebate excess debt service funds back to the entity.

The Insurance Department Financing Fund transferred $725,000 in order to rebate excess debt service funds back to the entity.

Court Automation Financing Fund transferred $56,341 in order to rebate excess debt service funds back to the entity.

The Metro Court Financing Fund transferred $3,242,385 to the Metro Court Administrator as a rebate of excess debt service funds and $20,463,930 for the construction and equipping of the new Bernalillo County Metropolitan Court Building.

NOTE 8. FIXED ASSETS

The capital asset activity for the year is as follows:

		Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Enterprise Funds:					
Depreciable assets:					
Furniture, fixtures and equipment at historical cost	$	232,459	20,501	(13,540)	239,420
Net fixed					
Less accumulated depreciation:					
Furniture, fixtures and equipment	$	199,250	22,026	(13,540)	207,736
Capital assets, net	$	33,209	(1,525)	-	31,684

There are no capital assets in the governmental funds.

Depreciation expense was $9,728 in the Operations Fund, $3,670 in the Public Projects Revolving Fund, and $8,628 in the DWRLF for the year ended June 30, 2002.

NOTE 9. BONDS PAYABLE

Bonds outstanding as of June 30, 2002, for the Authority's enterprise funds consist of:

Public Project Revolving Funds.

Series 1995A and 1995B. In July 1995, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1995A and Taxable Series 1995B in the aggregate principal amounts of $41,230,000 and $4,000,000, respectively.

Series 1996A and 1996B. In September 1996, the Authority issued its Public Project Revolving Fund, Series 1996A and 1996B in the aggregate principal amounts of $17,625,000 and $3,500,000, respectively. The proceeds of such bonds were used to make loans to numerous governmental entities and to purchase bonds from the Department of Energy, Minerals and Natural Resources. A portion of the proceeds of such bonds were used to make a $9,000,000 grant in 1996 and a $16,000,000 grant in 1998 to the Environment Department in exchange for a pledge of the Environment Department's share of certain moneys to the Authority to repay all outstanding public project revolving fund bonds.

NOTE 9. BONDS PAYABLE (CONTINUED)

Series 1997A. On December 1, 1997, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1997A in the aggregate principal amount of $8,585,000. The Series 1997A Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1998 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1997A Bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources as investment securities.

Series 1999A, 1999B, 1999C, and 1999D. On January 1, 1999, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1999A and 1999B (tax-exempt) and Series 1999 and 1999D (taxable) in the aggregate amount principal amounts of $13,135,000, $3,025,000, $2,265,000, and $4,875,000, respectively. The Series 1999 Bonds were issued by the Authority to reimburse the Public Project Revolving Loan Fund for loans made to the 1999 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1999 bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources and the New Mexico Interstate Stream Commission's investment securities. All of the bonds are secured from the Authority's portion of governmental gross receipts tax and income and principal from the loans and investments financed by the proceeds of the issue.

Series 2000A. On January 1, 2000, the Authority issued its Public Project Revolving Fund, Series 2000A in the aggregate principal amount of $4,715,000 to finance a loan to Valencia County, New Mexico, to construct, purchase, furnish, and equip an adult correctional facility for the County and to finance the cost of issuance of the Series 2000A Bonds.

Series 2000B and C. On September 1, 2000 the Authority issued $7,670,000 of Public Project Revolving Fund series B and $28,850,000 series C bonds. The series 2000B and C were issued to reimburse the Public Project Revolving Fund for loans made by the NMFA to various Governmental Units and to reimburse the NMFA for and to finance the costs of issuance of the Series 2000B and C bonds.

State Office Building Financing Fund. The laws of 2001, Chapter 166 and Chapter 199, authorized the Authority to issue revenue bonds for the General Services Department (GSD) of the State of New Mexico. The State Office Building Tax Revenue Bonds Series 2002A were issued on December 15, 2001, for the purpose of financing the costs of acquiring, constructing, equipping, and otherwise improving land and buildings for the GSD. The Series 2002A Bonds

NOTE 9. BONDS PAYABLE (CONTINUED)

are payable from and secured only by amounts on deposit in the Authority's State Office Building Fund, which consists of money appropriated and transferred to the Fund from the net receipts attributable to the gross receipts tax of the State in the amount of $500,000 per month.

Bonds outstanding as of June 30, 2002, to be paid out of the Authority's debt service funds consist of the following:

Workers' Compensation Financing Fund. In July 1996, the Authority sold $4,310,000 of New Mexico Finance Authority Workers' Compensation Administration Building Revenue Bonds Series 1996. The proceeds are for the acquisition of land and construction of an office building for the Workers' Compensation Administration. The bonds are solely payable from the revenues derived from the first $.40 of the quarterly workers' compensation assessment paid to the Authority.

Special Cigarette Tax Revenue Bonds. In July 1996, the Authority sold $6,000,000 of Special Cigarette Tax Revenue Bonds as part of the internal service fund cigarette tax program. The purpose of the bonds are for the designing, constructing, equipping and furnishing an addition to the University of New Mexico Cancer Center. The bonds are secured by the Authority's cigarette tax revenue.

Insurance Department Financing Fund. On May 23, 1996, the Authority issued $525,000 of New Mexico Finance Authority Insurance Department Surcharge Revenue Bonds, which *was* refunded on December 1, 1998 and reissued at $400,000, to finance information and communication equipment for the New Mexico Department of Insurance. A $3 surcharge on insurance agents annual fee is the only pledged revenue source for the repayment of the bonds and is paid to the Authority.

Administrative Fee Revenue Program Fund (TRIMS Project) Series 1997A and 1999A. On September 11, 1997 and September 20, 1999, the Authority issued $17,440,660 and $16,269,140 of New Mexico Finance Authority (TRIMS Project) revenue bonds, respectively. The bonds were issued to finance an information management system to assist in tax collections to be used by the New Mexico Taxation and Revenue Department (NMTRD). The principal and interest on the bonds are payable solely from and secured solely by the pledged revenues, which include revenues from administrative fees payable to and withheld by NMTRD from collections of municipal and country local option gross receipts taxes, and administrative fees from collections of solid waste assessment fees, boat excise tax and registration fees, tax intercept payments and water conservation fees, as well as proceeds of bonds and investment earnings on the proceeds and revenues.

NOTE 9. BONDS PAYABLE (CONTINUED)

Highway 44 Financing Fund. On September 1, 1998, the Authority issued $100,230,000 of Federal Highway Grant Anticipation Revenue Bonds. The bonds were issued to finance the cost of an infrastructure project, which includes the acquisition, construction, expansion and improvement of approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes by the New Mexico State Highway and Transportation Department (NMSHTD), and are payable solely from the Authority's rights to payments under a Loan Agreement between the Authority and NMSHTD. The obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a pledge, which consist of revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

State Capitol Improvement Financing Fund. On May 11, 1999, the Authority issued $9,315,000 of New Mexico Finance Authority State Capitol Building Improvement Revenue Bonds, Taxable Series 1999. The Bonds were issued for the purpose of repairing, remodeling, constructing and equipping the New Mexico State Library and for relocation associated renovations in the State Capitol.

Federal Highway Forest Road Financing Fund. On February 1, 2001, the Authority issued $18,535,000 of New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds, Series 2001. The Bonds were issued for the purpose of financing the cost of an infrastructure project, which includes the design, reconstruction, expansion and improvement of all or parts of U.S. Highway 70 (Forest Highway 34), U.S. Highway 64 (Forest Highway 9), New Mexico Highway 126 (Forest Highway 12) and New Mexico Highway 12 (Forest Highway 21).

Metro Court Financing Fund. The laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. On August 1, 2001, the Authority issued $21,600,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001A (Tax Exempt), and $11,400,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001B (Taxable). The Series 2001A Bonds were issued by the Authority for the purpose of financing the acquisition of real property for the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court and to finance the costs of issuance of the Series 2001A Bonds. The taxable Series 2001B Bonds were issued by the Authority for the purpose of financing the acquisition of land for, and the design, construction, furnishing and equipping of a parking facility adjacent to the new Bernalillo County Metropolitan Court and to finance the costs of issuance of the taxable Series 2001B Bonds. As a subsequent event (Note 16) the second installment of bonds were issued on September 1, 2002, in the amount of $24,900,000.

NOTE 9. BONDS PAYABLE (CONTINUED)

Equipment Loan Fund. The Authority has issued Certificates of Participation under the Equipment Loan Program. The proceeds are loaned to various governmental entities to purchase equipment. The loans have been assigned to trustees. The certificates are secured by various sources of local government revenues secured by intercept agreements which direct sources of revenues from the borrowers to the trustees. The certificates are not an obligation of the State of New Mexico or the Authority.

In October 1994, the Authority issued $646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were used to make loans to ten local governments in the State. On August 29, 1995, the Authority issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A. The proceeds were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued 2,904,000 aggregate principal amount of its Equipment Program Certificates of participation, Series 1995B. The net proceeds were loaned to the City of Las Cruces. On March 19, 1996, the Authority issued $1,458,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1996A. The net proceeds were loaned to thirteen local governmental entities in the state. On December 3, 1996, the Authority issued $1,820,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation Series 1996B. The net proceeds were loaned to various governmental entities in the state. Interest rates on the equipment loans range from 4.5% to 6.3%.

Bonds outstanding are direct obligations of the Authority for which its full faith and credit are pledged and are payable from pledged tax revenues of various entities. Total interest expense incurred on bonds in the enterprise funds and the debt service funds were $6,874,166 and $8,529,495, respectively, for the year ended June 30, 2002.

Bonds payable balances consist of the following at June 30, 2002:

	Amount	Interest Rate	Final Maturity
Enterprise funds			
PPRF 1995A and B	$ 30,289,193	4.65-6.45	June 1,2023
PPRF 1996A and B	14,188,656	4.40-6.00	July 1, 2021
PPRF 1997A	6,969,448	4.25-4.90	June 1, 2017
PPRF 1999A, B, C and D	18,850,761	3.30-6.30	June 1, 2018
PPRF 2000A	3,760,000	4.10-5.30	June 1, 2009
PPRF 2000B and C	28,739,021	4.75-5.50	June 1, 2030
State Office Building Financing Fund	34,070,405	4.00-5.00	June 1, 2021
	136,867,484		

NOTE 9. BONDS PAYABLE (CONTINUED)

	Amount	Interest Rate	Final Maturity
To be paid out of Debt Service funds			
Special Cigarette Tax Revenue Bond	$ 2,400,000	4.80-5.25%	June 1, 2006
Workers Compensation Financing Fund	3,635,000	5.00-5.60	Sept. 1, 2016
Insurance Department Financing Fund	65,000	3.75-4.00	June 15, 2003
Administration Fee Revenue Program	19,099,600	(a)	July 1, 2007
Highway 44 Financing Fund	95,385,000	3.95-5.52	Sept. 1, 2015
State Capitol Improvement Financing Fund	8,285,000	7.00	March 15, 2015
Federal Highway Forest Road Financing Fund	18,535,000	4.75-5.50	September 1, 2011
Equipment Loan Fund	3,361,000	4.50-6.30	Various
Metro Court	33,000,000	5.10-6.25	June 15, 2025
	183,765,600		
Bond premium and discount, net on debt service funds	1,908,226		
Total debt service	185,673,826		
Total	$ 322,541,310		

(a) Interest on the bonds will be paid at the lesser of (a) a weekly rate or long-term interest rates as selected by the Authority and as determined in accordance with the First Supplemental Indenture and (b) the maximum rate, or, when a letter of credit secures the payment of the bonds, such lower maximum rate as may be specified in the letter of credit. Interest will initially be payable at a weekly rate, as set forth in the First Supplemental Indenture. The Authority may change the interest rate determination method to a long-term interest rate mode. Such a change will result in the bonds becoming subject to mandatory tender for purchase on the effective date of such change. While there exists an Event of Default under the indenture, the interest rate of the bonds will be the rate on the bonds on the day before the event of default occurred. At no time will the bonds bear interest at a rate in excess of 12%.

NOTE 9. BONDS PAYABLE (CONTINUED)

The requirements to amortize the bonds outstanding are as follows:

	Principal	Interest	Total
2003	$ 22,295,000	16,416,187	38,711,187
2004	22,410,000	15,273,507	37,683,507
2005	22,915,000	14,133,233	37,048,233
2006	23,780,000	12,963,351	36,743,351
2007	20,923,828	11,867,604	32,791,432
2008-2012	94,601,000	45,008,247	139,609,247
2013-2017	72,849,000	21,624,376	94,473,376
2018-2022	29,025,000	8,407,645	37,432,645
2023-2027	12,997,645	1,711,806	14,709,451
2028-2030	744,837	88,740	833,577
	$ 322,541,310	147,494,696	470,036,006

The bonds payable activity for the year is as follows:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Enterprise Funds	$112,614,838	34,695,000	(10,442,354)	136,867,484
Debt Service Funds	161,807,054	33,000,000	(9,133,228)	185,673,826
	$274,421,892	67,695,000	(19,575,582)	322,541,310

NOTE 10. OPERATING LEASES

The Authority is committed under various lease agreements for office space, copying equipment and a vehicle. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2002 amounted to approximately $106,925. Future minimum lease payments for these leases are as follows:

Year Ending June 30

2003	$ 108,196
2004	105,007
2005	99,106
2006	19,467
2007	408
	$ 332,184

NOTE 11. RETIREMENT PLAN

The Authority had established its own retirement plan since it cannot participate through the Public Employees Retirement Act (PERA) multiple employer public retirement system. The Authority also does not participate in the Retiree Health Care Act. This retirement plan was organized under Section 408(k) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make a voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested and the Authority contributions will vest 100% to the employee after five years. The contributions are invested in various mutual funds. The Authority's contributions for this retirement plan were approximately $91,277, $99,700, and $80,000 for the years ended June 30, 2002, 2001, and 2000, respectively. Substantially all full time employees participate in this plan.

NOTE 12. BUDGETARY INFORMATION

The Authority budgets the Operations Fund, and the DWRLF of the Enterprise Funds. The following budgetary information is for the period ended June 30, 2002, (Non-GAAP Budgetary Basis):

Enterprise Fund - Operations

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Administrative fees	$ 580,410	584,076	3,666
Interest income	-	7,911	7,911
Total revenues	580,410	591,987	11,577
Operating transfer in	447,065	551,096	104,031
Total revenues and transfer in	$ 1,027,475	1,143,083	115,608

NOTE 12. BUDGETARY INFORMATION (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personnel services	$ 510,992	533,560	(22,568)
Employee benefits	211,860	193,389	18,471
In-state travel	15,955	20,159	(4,204)
Maintenance and repairs	7,213	9,674	(2,461)
Office supplies	17,013	19,824	(2,811)
Contractual services	118,392	89,225	29,167
Operating costs	115,965	113,171	2,794
Out-of-state travel	10,500	3,563	6,937
Total current expenditures	1,007,890	982,565	25,325
Capital outlay	19,585	9,916	9,669
Total expenditures	$ 1,027,475	992,481	34,994

Reconciliation of budgetary basis to GAAP:	
Excess of revenues and other sources over expenditures	$ 150,602
Less: Prior year accruals	(16,764)
Plus: Current year accruals	5,426
Less: Depreciation	(9,728)
Plus: Capital outlay capitalized	9,916
Net income per proprietary funds statement of revenue	$ 139,452

NOTE 12. BUDGETARY INFORMATION (CONTINUED)

Enterprise Fund - DWRLF

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Grant revenue	$ 508,958	12,137,422	11,628,464
Interest	-	256,054	256,054
Total revenues	$ 508,958	12,393,476	11,884,518

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personnel services	$ 138,079	92,628	45,451
Employee benefits	57,248	33,620	23,628
In-state travel	6,477	4,041	2,436
Maintenance and repairs	3,219	1,500	1,719
Office supplies	5,297	1,889	3,408
Contractual services	253,128	186,222	66,916
Operating costs	31,336	22,206	9,130
Out-of-state travel	8,550	1,576	6,974
Total current expenditures	503,334	343,682	159,652
Capital outlay	5,624	2,310	3,314
Total expenditures	508,958	345,992	162,966
Transfers		2,190,445	
Total expenditures and transfers		2,536,437	

Reconciliation of budgetary basis to GAAP:	
Excess of revenues over expenditures	$ 9,857,039
Less: Prior year accruals	(237,022)
Plus: Current year accruals	423,279
Less: Depreciation	(8,628)
Plus: Capital outlay	2,310
Net income per proprietary funds statement of revenue	$ 10,036,978

NOTE 13. CONTINGENCIES

The Authority is exposed to various risks of loss for which the Authority carries insurance (Auto; Employee Fidelity Bond; General Liability, Civil Rights; Property; and Worker's Compensation) with the State of New Mexico Risk Management Division and with private insurance companies.

The Authority is not subject to any legal proceedings, claims or liabilities at June 30, 2002.

NOTE 14. CUMULATIVE EFFECT AS A RESULT IN CHANGE OF ACCOUNTING PRINCIPLE

As a result of the Authority adopting GASB 34 certain funds were reclassified. This cumulative effect of the change in accounting principle resulted from the change in accounting basis, primarily from bonds payable. The amounts of the restatement are reflected in the fund financial statements.

NOTE 15. SUBSEQUENT EVENTS

After June 30, 2002, the Authority issued the following debt:

Metro Court Financing Fund. The laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. On September 1, 2002, the Authority issued the second installment of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2002 (Tax Exempt), in the amount of $24,900,000 (no taxable bonds were issued) The Series 2001 Bonds were issued by the Authority for the purpose of financing the acquisition of real property for the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court and to finance the costs of issuance of the Series 2001A Bonds. The taxable Series 2001B Bonds were issued by the Authority for the purpose of financing the acquisition of land for, and the design, construction, furnishing and equipping of a parking facility adjacent to the new Bernalillo County Metropolitan Court and to finance the costs of issuance of the taxable Series 2001B Bonds.

NOTE 15. SUBSEQUENT EVENTS (CONTINUED)

Public Project Revolving Fund. On July 2, 2002, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 2002A, in the aggregate principal amount of $55,610,000. The Series 2002A Bonds were issued to reimburse the Public Project Revolving Fund for; (1) loans made by the Authority to various Governmental Units, (2) provide funding for, and to reimburse the Public Project Revolving Fund for water and wastewater grants and water and wastewater planning grants, and (3) reimburse the Authority for and to finance the costs of issuance of the Series 2002A Bonds.

After June 30, 2002, through October 22, 2002, the Authority issued the following PPRF Direct Loans, Water Wastewater Grants, Emergency Drought Relief Grants, and Primary Care Loans:

Direct Cash Loans	Closing Date	Amount
Dexter Schools	7/19/2002	$ 520,000
Village of Milan	7/26/2002	690,000
City of Socorro	7/26/2002	526,185
Cibola County	7/26/2002	8,025,669
Village of Los Lunas	7/26/2002	217,375
Lea Soil & Water	7/26/2002	304,190
Texico Municipal Schools	8/2/2002	6,000,000
City of Rio Rancho	8/9/2002	1,371,188
Truth or Consequences School District 6	8/16/2002	1,500,000
Village of Milan	8/16/2002	112,631
Mora County	9/6/2002	69,700
City of Roswell	9/13/2002	$ 559,444
Tucumcari (interim)	9/20/2002	70,000
County of Socorro	9/20/2002	124,000
Village of San Juan (interim)	9/27/2002	35,000
Village of Tularosa (interim)	9/27/2002	107,000
City of Socorro	9/27/2002	308,461
City of Albuquerque Stadium	10/4/2002	6,000,000
Hatch Municipal School District 11	10/4/2002	700,000
City of Espanola	10/11/2002	1,305,915
Village of Cloudcroft (interim)	10/18/2002	150,000
Total direct loans		$ 28,696,758

NOTE 15. SUBSEQUENT EVENTS (CONTINUED)

Direct Cash Loans	Closing Date		Amount
Water Wastewater Grants			
Cerro West MDW	7/8/2002	$	22,261
City of Belen	7/26/2002		300,000
Jemez Springs	7/26/2002		729,000
Miami MDWCA	8/2/2002		178,200
Oro Grande MDWCA	8/9/2002		361,600
Wagon Mound MDWCA	8/9/2002		300,000
City of Sunland Park	8/16/2002		2,520,000
Quemado MDWCA	8/16/2002		657,000
Alcalde MDWCA	9/6/2002		98,900
City of Grants	9/20/2002		936,091
Village of Questa	10/4/2002		33,000
Village of San Juan	10/4/2002		900,000
Village of Willard	10/18/2002		90,000
Total water wastewater grants		$	7,126,052
Emergency drought relief			
Mosquero	7/15/2002	$	11,000
Village of Tularosa	7/15/2002		44,502
City of Santa Fe	7/31/2002		819,910
Village of Cloudcroft	9/9/2002		112,000
City of Bloomfield	9/13/2002		152,750
Northstar DWC	10/9/2002		130,296
Total drought relief grants		$	1,270,458
Primary care loans			
El Pueblo Health Services	9/26/2002	$	77,925

NEW MEXICO FINANCE AUTHORITY
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2002

		Workers' Compensation Financing Fund	Insurance Department Financing Fund
ASSETS			
Cash and cash equivalents	$	587,772	1,321,772
Tax revenue receivable		6,040	64,244
Interest receivable		-	-
Due from other funds		-	-
Loans receivable		-	-
Securities		-	-
Depreciable property and equipment, net		-	-
		593,812	1,386,016
Restricted Assets:			
Cash and cash equivalents held for others by trustee:			
Debt service		-	-
Bond reserve		125,052	-
Expense fund		-	-
Program - Grant proceeds for other state agency		71,062	-
Program - Bond proceeds		361,900	-
Total restricted assets		558,014	-
Total assets	$	1,151,826	1,386,016
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$	-	-
Debt service payable		-	-
Notes payable		-	-
Funds held for others		-	-
Due to other state agencies		153,720	9,047
Due to other funds		-	-
Bonds payable		-	-
Interest payable		-	-
Total liabilities		153,720	9,047
Fund balances (deficit) - reserved for:			
Debt service		998,106	1,376,969
Total fund balances		998,106	1,376,969
Total liabilities and fund balances	$	1,151,826	1,386,016

Court Automation Financing Fund	State Capitol Improvement Financing Fund	Equipment Loan Fund	**Other Governmental Funds**
$ 33,112	256,013	-	**2,198,669**
-	82,555	391,331	**544,170**
-	-	-	**-**
-	-	-	**-**
-	-	-	**-**
-	-	-	**-**
-	-	-	**-**
33,112	338,568	391,331	**2,742,839**
-	-	231,206	**231,206**
-	-	-	**125,052**
-	-	36	**36**
1,168	4,095	-	**76,325**
-	-	-	**361,900**
1,168	4,095	231,242	**794,519**
$ 34,280	342,663	622,573	**3,537,358**
$ 5,182	-	-	**5,182**
-	80,263	194	**80,457**
-	-	-	**-**
-	-	-	**-**
21,296	161,624	-	**345,687**
-	-	-	**-**
-	-	-	**-**
-	-	-	**-**
26,478	241,887	194	**431,326**
7,802	100,776	622,379	**3,106,032**
7,802	100,776	622,379	**3,106,032**
$ 34,280	342,663	622,573	**3,537,358**

NEW MEXICO FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	Workers' Compensation Financing Fund	Insurance Department Financing Fund	Court Automation Financing Fund
Revenues			
Tax revenue	$ 982,539	987,742	-
Grant revenue	-	-	-
Interest on loans	-	-	-
Interest on investments	62,409	39,839	2,619
Administrative	-	-	-
Total revenues	1,044,948	1,027,581	2,619
Expenditures			
Administrative fee	9,088	325	19,013
Professional services	1,425	-	6,199
Salaries and fringe benefits	-	-	-
In-state travel	-	-	-
Maintenance and repairs	-	-	-
Operating costs	-	-	-
Depreciation	-	-	-
Grant expense	-	-	-
Total current expenditures	10,513	325	25,212
Debt service:			
Principal payments	150,000	65,000	-
Interest expense	199,002	5,200	-
Bond issuance costs	-	-	-
Total debt service expenditures	349,002	70,200	-
Excess (deficiency) of revenues over expenditures	685,433	957,056	(22,593)
Other Financing Sources (Uses)			
Bond proceeds			
Transfers (to) from other funds	-	-	-
Transfers to other state agencies	(1,175,096)	(725,000)	(56,341)
Total other financing sources (uses)	(1,175,096)	(725,000)	(56,341)
Net change in fund balance	(489,663)	232,056	(78,934)
Fund balances (deficit) - reserved - beginning	(2,297,231)	1,014,913	86,736
Cumulative effect of change in accounting principle	3,785,000	130,000	-
Net assets-beginning, as restated	1,487,769	1,144,913	86,736
Fund balances (deficit) - reserved - ending	$ 998,106	1,376,969	7,802

State Capitol Improvement Financing Fund	Equipment Loan Fund	**Total Other Governmental Funds**
$ 994,284	959,291	**3,923,856**
-	-	**-**
-	76,248	**76,248**
9,447	-	**114,314**
-	-	**-**
1,003,731	1,035,539	**4,114,418**
22,013	16,215	**66,654**
635	-	**8,259**
-	-	**-**
-	-	**-**
-	-	**-**
-	-	**-**
-	-	**-**
-	-	**-**
22,648	16,215	**74,913**
190,000	719,000	**1,124,000**
599,725	141,010	**944,937**
-	-	**-**
789,725	860,010	**2,068,937**
191,358	159,314	**1,970,568**
-	-	**-**
-	-	**(1,956,437)**
-	-	**(1,956,437)**
191,358	159,314	**14,131**
(8,565,582)	-	**(9,761,164)**
8,475,000	463,065	**12,853,065**
(90,582)	463,065	**3,091,901**
$ 100,776	622,379	**3,106,032**

NEW MEXICO FINANCE AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2002

	Wells Fargo (Santa Fe)	Bank of America (Charlotte)	Bank of New York (New York)	Morgan Stanley (New York)	HSBC New York (New York)	**Total**
Bank Accounts						
Operating account - checking	$ 10,371	-	-	-	-	**10,371**
Wire Transfers - checking	430,339	-	-	-	-	**430,339**
Repurchase Agreements	-	10,070,163	16,359,640	16,102,916	3,279,691	**45,812,410**
Total amount of deposits (bank balances)	440,710	10,070,163	16,359,640	16,102,916	3,279,691	**45,812,410**
Less FDIC coverage	100,000	-	-	-	-	**100,000**
Total uninsured public funds	340,710	10,070,163	16,359,640	16,102,916	3,279,691	**45,712,410**
Collateral requirement @ 102%	347,524	10,271,566	16,686,833	16,424,974	3,345,285	**46,626,658**
Pledges and securities						
FMCL, matures July 1, 2002						
Held at Wells Fargo, Albuquerque						
CUSIP 31390ABX5						
Par, $400,000	421,611	-	-	-	-	**421,611**
UST, matures May 15, 2017						
Held at Wells Fargo, Albuquerque						
CUSIP912810DY2						
Par $9,239,000	-	11,166,431	-	-	-	**11,166,431**
UST, matures January 2, 2009						
Held at Bank of New York,						
New York						
Various CUSIPs *						
Par $15,841,383	-	-	16,788,701	-	-	**16,788,701**
UST, matures September 1, 2003						
Held at Wells Fargo, Albuquerque						
CUSIP36210UYQ0						
Par $18,535,000	-	-	-	16,605,749	-	**16,605,749**
UST, matures January 1, 2006						
Held at Wells Fargo, Albuquerque						
Par $3,545,000						
CUSIP 912833FV7	-	-	-	-	3,415,487	**3,415,487**
Over/(under) secured	$ 74,087	894,865	101,868	180,775	70,202	**$1,771,321**

* Part of a collateral pool of US Treasuries and Agencies. This pool consists of multiple CUSIPs

Federal Grant/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	$ 3,166,311

NOTE A. SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditure of federal awards is prepared on the accrual basis of accounting.

NOTE B. FUNDS PASSED THROUGH TO SUBRECIPIENTS

Federal expenditures include funds passed through to subrecipients as follows:

CFDA Number	Subrecipient	Amount
66.468	New Mexico Environment Department	$ 2,687,334

NOTE C. LOANS FUNDED

	Original Balance	Balance at June 30, 2002
Revolving Loans:		
Loans funded in previous years	$ 4,008,597	3,830,593
Loans funded in current year:		
Malaga Mutual Domestic Water Association	171,718	169,785
Village of Los Lunas	4,070,660	3,968,317
High Sierra Estates	121,213	118,917
City of Truth or Consequences	1,841,089	1,796,932
Cottonwood Rural Water Co-op	703,586	695,802
City of Albuquerque	2,450,000	2,450,000
El Prado Water and Sanitation District	75,750	75,750
	9,434,016	9,275,503
Total loans funded	$13,442,613	13,106,096

The revolving loans are funded through a mix of 80% federal and 20% state monies. The technical set-aside loans are funded with 100% federal monies.

NEFF + RICCI LLP

CERTIFIED PUBLIC ACCOUNTANTS
6100 UPTOWN BLVD NE SUITE 400
ALBUQUERQUE, NM 87110

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board of Directors
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the New Mexico Finance Authority (Authority), as of and for the year ended June 30, 2002, and have issued our report thereon dated October 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

Members of the Board of Directors
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor
Santa Fe, New Mexico

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of management and Board of the Authority, the State Auditor, and the cognizant audit agency and is not intended to be and should not be used by anyone other than these specified parties.

Neff + Ricci LLP

Albuquerque, New Mexico
October 22, 2002

NEFF + RICCI LLP

CERTIFIED PUBLIC ACCOUNTANTS
6100 UPTOWN BLVD NE SUITE 400
ALBUQUERQUE, NM 87110

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Members of the Board of Directors
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor
Santa Fe, New Mexico

Compliance

We have audited the compliance of the New Mexico Finance Authority (Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

Members of the Board of Directors
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor
Santa Fe, New Mexico

In our opinion, the Authority complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and Board of the Authority, the State Auditor, and the cognizant audit agency and is not intended to be and should not be used by anyone other than these specified parties.

Neff + Ricci LLP

Albuquerque, New Mexico
October 22, 2002

NEW MEXICO FINANCE AUTHORITY
SUMMARY OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2002

	Comment	Current Status
01-1	PPRF Direct Loans Program Funds	Resolved
01-2	Subrecipient Loan Closing	Resolved

NEW MEXICO FINANCE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of the New Mexico Finance Authority (Authority).

2. No reportable conditions were disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.

4. No reportable conditions were disclosed during the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The auditors' report on compliance for the major federal award programs for the Authority expresses an unqualified opinion.

6. There were no audit findings relative to the major federal award program for the Authority.

7. The program tested as a major program is:

Program Name	CFDA Number
Capitalization Grants for Drinking Water State Revolving Funds	66.468

8. The threshold for distinguishing Type A and B programs was $300,000.

9. The Authority was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT (NON-REPORTABLE CONDITION)

02-1 Water/Waste Water Project Grant Fund – Unauthorized Signatures

Condition

An authorized signature was not present on the applicable draw request form (Exhibit "B" or "C") as designated by the grant agreement in three instances out of thirteen tested.

Criteria

Authorized signatures should be present for all draw requests on Water/Waste Water Project Grant Funds.

Effect

A responsible party cannot be held accountable for the potential misuse of grant proceeds.

Cause

A process was not in place to verify whether the requesting party was an authorized party according to the grant agreement.

Recommendation

The requesting party for each draw request should be compared to the grant agreement to determine proper authorization.

Management's Response

Management agrees with the recommendation proposed for this finding. All water wastewater grant fund requisitions (draw requests) have been reviewed to ensure that the proper signatures (authorized) are on each draw request.

In any instance where an authorized signature was not on a draw request, the signatory was directly involved with the grant project and had been given permission to sign the draw request from an authorized signatory. In all cases corrective action was taken and the authorized signatory ratified the draw requests in question. In no instance were funds released for unauthorized or incomplete work.

C. FINDINGS AND QUESTIONED COSTS–MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

NEW MEXICO FINANCE AUTHORITY
EXIT CONFERENCE
June 30, 2002

An exit conference was held on December 6, 2002, and attended by the following:

New Mexico Finance Authority Personnel

Robert M. Goodman, Chairman of the Board
H. Dan Shannon, Secretary of the Board
Jan Goodwin, Board Member
Tom Pollard, Executive Director
Keith Mellor, Chief Financial Officer and Controller

Neff + Ricci LLP Personnel

Wayne Brown, Partner
Larry Carmony, Partner
Scott Eliason, Senior Manager

APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements are extracts, supplementing the information in the body of the Official Statement, of certain provisions of the Indenture. These extracts do not purport to be complete and reference is made to the Indenture for a full and complete statement of such provisions. See "ADDITIONAL INFORMATION."

The following are certain definitions contained in the Indenture and extracts of certain provisions contained in the General Indenture and are not to be considered as a full statement thereof. Reference is hereby made to the Indenture for full details of all of the terms of the Bonds, the security provisions appertaining thereto and the other terms thereof. During the offering period of the Series 2003A Bonds, copies of the Indenture will be available at the principal office of the Underwriters. Subsequent to the offering of the Series 2003A Bonds, copies of the Indenture may be obtained from the Trustee.

CERTAIN DEFINITIONS

"Account" or "Accounts" means one or more of the special trust accounts created and established pursuant to the Indenture.

"Act" means the New Mexico Finance Authority Act, being Sections 6-21-1 through 6-21-31, inclusive, NMSA 1978, as amended and as the same may hereafter be amended and supplemented.

"Additional Bonds" means any Bonds of the NMFA, including the Series 2003A Bonds, Series 2002A Bonds, Series 2000B-C Bonds, Series 2000A Bonds, the Series 1999A-D Bonds, Series 1997 Bonds and the Series 1996 Bonds, authorized and issued under the Indenture, except for the Series 1995 Bonds.

"Additional Pledged Loans" means any additional loans or securities which (i) were made or purchased by the NMFA from amounts on deposit in the Public Project Revolving Fund and (ii) the payments of principal and interest on which have been specifically pledged by the NMFA to the payment of the Bonds and other amounts due under the Indenture. No such loans or securities shall be deemed to be Additional Pledged Loans unless the Trustee has received written notice from the NMFA that a specific loan or security will be included under the Indenture.

"Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Agreement" or "Agreements" means, as the case may be, one or more Loan Agreements, Grant Agreements or Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of a Project by the NMFA under the General Indenture.

"Agreement Pledged Revenues" means the pledged revenues designated by a Governmental Unit for payments to be made pursuant to the respective Loan Agreement, Security Documents or Securities.

"Agreement Reserve Fund" means the Agreement Reserve Fund established by the Indenture and each Agreement Reserve Account, if any, created by an Agreement therein.

"Agreement Reserve Requirement" for each Agreement establishing an Agreement Reserve Account, means the amount, if any, required by such Agreement to be allocated to an Agreement Reserve Account (relating to such Agreement) within the Agreement Reserve Fund.

"Approval of Bond Counsel" means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

CATEGORY OF LOANS AND ADDITIONAL PLEDGED LOANS	**APPLICABLE PERCENTAGES**
CATEGORY I LOANS AND ADDITIONAL PLEDGED LOANS	100%
CATEGORY II LOANS AND ADDITIONAL PLEDGED LOANS	80%
CATEGORY III LOANS AND ADDITIONAL PLEDGED LOANS	50%
CATEGORY IV LOANS AND ADDITIONAL PLEDGED LOANS	0%

"Authorized Denominations" with respect to the Series 2003A Bonds, $1,000 or any integral multiple thereof.

"Authorized Officer" means: (i) in the case of the NMFA, the Chair, any Vice Chair, Secretary, or Treasurer, and when used with reference to any act or document also means any other person authorized by resolution of the NMFA to perform such act or execute such documents; (ii) in the case of a Governmental Unit, means the person or persons authorized by resolution or ordinance of the Governmental Unit to perform any act or execute any document; and (iii) in the case of the Trustee or the Paying Agent any person authorized to perform any act or sign any document by or pursuant to the bylaws or any resolution of the governing body of the Trustee or the Paying Agent, respectively.

"Bond Counsel" means nationally recognized bond counsel experienced in matters of municipal law, satisfactory to the Trustee and listed in the list of municipal bond attorneys, as published semiannually by The Bond Buyer, or any successor publication.

"Bond Fund" means the fund by that name established by the Indenture to be held by the Trustee and used to pay amounts due on the Bonds.

"Bond Fund Year" means a twelve-month period ending on June 1 of each year.

"Bond Documents" means collectively, the Loan Agreements, the Grant Agreements, the Securities, the Security Documents, and the Indenture.

"Bond Registrar" or "Registrar" means the Trustee or any other registrar appointed under the Indenture.

"Bonds" means all Bonds issued under and secured by the Indenture.

"Business Day" shall mean any day, other than a day on which banks located in New York, New York or the cities in which the Principal Offices of the Trustee or the Paying Agent are located are required or authorized by law or executive order to close, or on which the New York Stock Exchange is closed.

"Cash Flow Statement" means an NMFA certificate (a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate:

(1) the amount of NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(2) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(3) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding;

and (b) showing that in each such Bond Fund Year, the aggregate of the amount set forth in clause (A) of the definition divided by 1.35, plus the aggregate amount set forth in clause (B) of the definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of the definition. For purposes of the foregoing definition the following assumptions shall apply:

(a) NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period in the 24 months next preceding the delivery of the Cash Flow Statement;

(b) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(c) Loans and Additional Pledged Loans will be assumed to remain in their then current category designations throughout the period projected in the Cash Flow Statement.

"Category I Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in at least the third highest full rating category or higher by the Rating Agency.

"Category II Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

"Category III Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are not designated or rated or are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Non-Performing Loans and Additional Pledged Loans and Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been fully replenished in accordance with the related Agreement or loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agency.

"Code" means the Internal Revenue Code of 1986, as amended and the applicable regulations thereunder.

"Covenant Default" has the meaning, if any, given in any Loan Agreement, Securities or Additional Pledged Loan.

"Debt Service Fund" means the fund by that name established by the Indenture to be held by the Trustee and each Account created therein.

"Expense Fund" means the fund by that name established by the Indenture to be held by the Trustee.

"Funds and Accounts" means collectively, the Debt Service Fund and the Accounts created therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, and the Bond Fund.

"Governmental Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Governmental Units" means any "qualified entity" under the Act which has executed and delivered to the NMFA a Loan Agreement, Grant Agreement or Securities for the purpose of financing all or a portion of a Project.

"Grant Agreements" means a grant or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and does not require payments by the Governmental Unit to be made thereunder.

"Grants" means collectively, the Grants made pursuant to the Grant Agreements.

"Indenture" means the General Indenture of Trust and Pledge and all Supplemental Indentures thereto.

"Interest Component" means the portion of each Loan Payment representing interest on the related Loan.

“Interest Payment Date" shall, with respect to the Series 2003A Bonds, each June 1 and December 1, commencing December 1, 2003.

"Loan Agreement" means a loan or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and requires the Governmental Unit to repay the amounts advanced.

"Loan Payment" means the payments made by each Governmental Unit pursuant to the provisions of a Loan Agreement or Securities and which are to be used in accordance with the Indenture.

"Loan Payment Date" means the date specified in each Loan Agreement or Securities as the due date for Loan Payments.

"Loans" means collectively, the Loans made pursuant to the Loan Agreements and the Securities; excluding, however, all Additional Pledged Loans. Loans and Additional Pledged Loans may be evidenced by the same document containing two or more separate obligations.

"NMFA Portion of the Governmental Gross Receipts Tax" means an amount equal to 75% of the net receipts attributable to the governmental gross receipts tax levied pursuant to Section 7-9-4.3, NMSA 1978, as amended, and distributed to the NMFA pursuant to Section 7-1-6.38, NMSA 1978, as amended.

"Nonperforming Loans and Additional Pledged Loans" means Loan Agreements and Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a Covenant Default) or under which a delinquency exists in payments of principal or interest thereunder.

"Original Issue Date" means, with respect to the Series 2003A Bonds, April 3, 2003.

The terms "Outstanding" or "Bonds outstanding" mean all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(1) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(2) any Bond (or any portion thereof) (i) for the payment or redemption of which there shall be held in trust under the Indenture and set aside for such payment or redemption, moneys and/or Governmental Obligations (not callable at the option of the issuer thereof) maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Governmental Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or redemption price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any such Bond (or any portion thereof) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee; and

(3) Bonds deemed paid pursuant to the provisions of the Indenture; and

(4) Bonds in lieu of which others have been authenticated pursuant to the Indenture.

"Participants" means underwriters, securities brokers and dealers, banks and trust companies, clearing corporations and other persons from time to time for which DTC or any successor Securities Depository holds Series 2003A Bonds as Securities Depository.

"Paying Agent" means the Trustee or any successor or additional paying agent appointed pursuant to the Indenture.

"Permitted Investments" (i) with respect to the investment of the respective Accounts of the Program Fund, the Agreement Reserve Fund and the Debt Service Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund and the Rebate Fund or any other fund created under the Indenture, the following to the extent permitted by New Mexico law:

(a) Governmental Obligations;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Farmers Home Administration* (FmHA) Certificates of Ownership;

ii) *Federal Housing Administration* (FHA) Debentures;

iii) *General Services Administration* Participation certificates;

iv) *Government National Mortgage Association* (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations (participation certificates);

v) *U.S. Maritime Administration* Guaranteed Title XI financing;

vi) *U.S. Department of Housing and Urban Development* (HUD)
Project Notes
Local Authority Bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Federal Home Loan Bank System*
Senior debt obligations (Consolidated debt obligations);

ii) *Federal Home Loan Mortgage Corporation* (FHLMC or "Freddie Mac")
Participation Certificates (Mortgage-backed securities)
Senior debt obligations;

iii) *Federal National Mortgage Association* (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal);

iv) *Student Loan Market Association* (SLMA or "Sallie Mae")
Senior debt obligations;

v) *Resolution Funding Corp.* (REFCORP) Only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book-entry form are acceptable;

vi) *Farm Credit System*
Consolidated systemwide bonds and notes;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's Ratings Group ("S&P") of “AAAm-G”, “AAAm” or “Aam” or by Moody's Investors Service, Inc. ("Moody's") of "Aaa";

(e) Certificates of deposit ("CD") secured at all times by collateral described in (a) and/or (b) above. CD's must have a one-year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+"or better by S&P, and "Prime-1" or better by Moody's. The collateral must be held by a third party and the third party must have a perfected first security interest in the collateral;

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BID and SAIF;

(g) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P;

(h) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies;

(i) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1+" by S&P;

(j) Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date; provided, however, that the repurchase agreement must satisfy certain criteria articulated in writing to the NMFA by the Rating Agency;

(k) Investment contracts with providers the long term, unsecured debt organization of which are rated at least "A" by the Rating Agency; and

(l) deposits with the Treasurer of the State for investment in obligations described above.

"Prepayment" means the amount paid by a Governmental Unit pursuant to the provisions of its Loan Agreement or Securities as a prepayment of all or a portion of the principal balance due under its Loan Agreement or a prepayment of the principal amount of the Securities.

"Principal Component" means the portion of each Loan Payment representing principal on the related Loan.

"Program” means the NMFA's public project revolving fund program.

"Program Costs" means the fees and expenses payable to the Trustee, any Paying Agent and the NMFA.

"Program Fund" means the fund by that name which is created and established by the Indenture.

"Projects" means, collectively, the projects (i) authorized by the Legislature for financing by the NMFA from the Public Project Revolving Fund (to the extent required by law) and (ii) described in a Supplemental Indenture and a Loan Agreement, Grant Agreement or Securities.

"Public Project Revolving Fund" means the public project revolving fund established pursuant to the Act.

“Rating Agency" means Moody's Investor's Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

"Rebate Calculation Date" means, with respect to each Series of Bonds, the interest payment date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the Initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last bond for such Series.

“Rebate Fund" means the Fund so designated, which is created and established by the Indenture.

"Rebate Requirement" means the amount of arbitrage profits earned from the investment of gross proceeds of the Bonds in nonpurpose investments described in Section 148(f)(2) of the Code and defined as "Rebate Amount" in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 2003A Bonds maintained by the Registrar.

"Registered Owner" or "Bondowner" or "Owner" or "Bondholder" or "holder" means the person or persons in whose name or names a Bond shall be registered on the books of the Trustee kept for that purpose in accordance with provisions of the Indenture.

"Regular Record Date" means the fifteenth (15th) day immediately preceding each Interest Payment Date (or the Business Day immediately preceding such fifteenth (15th) day, if such fifteenth (15th) day is not a Business Day).

"Revenue Fund" means the Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund so designated, which is created and established by the Indenture to be held by the Trustee.

"Revenues" means (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund).

"Securities" means the securities purchased or acquired by the NMFA in consideration for a Loan made pursuant to the Indenture.

"Security Documents" means the intercept agreements or other security documents delivered by Governmental Units to provide additional security for a Loan Agreement or Securities.

"Series 1995 Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1995A, in an initial aggregate principal amount of $41,230,000 and the Public Project Revolving Fund Revenue Bonds, Taxable Series 1995B, in an initial aggregate principal amount of $4,000,000.

"Series 1996 Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1996A, in an initial aggregate principal amount of $17,625,000.

"Series 1997 Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1997, in an initial principal amount of $8,585,000.

"Series 1999A-D Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1999A, in an initial aggregate principal amount of $13,135,000, the Public Project Revolving Fund Revenue Bonds, Series 1999B, in an initial aggregate principal amount of $3,025,000, the Public Project Revolving Fund Revenue Bonds, Taxable Series 1999C, in an initial aggregate principal amount of $2,265,000 and the Public Project Revolving Fund Revenue Bonds, Taxable Series 2000 in an initial aggregate principal amount of $4,875,000.

"Series 2000A Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 2000A, in an initial aggregate principal amount of $4,715,000.

"Series 2000B-C Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2000B, in an initial aggregate principal amount of $7,670,000 and the Public Project Revolving Fund Revenue Bonds, Series 2000C, in an initial aggregate principal amount of $28,850,000.

"Series 2002A Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2002A, in an initial aggregate principal amount of $55,610,000.

"Series 2003A Bond Insurance Policy" means, with respect to the Series 2003A Bonds, the municipal bond insurance policy issued by the Series 2003A Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2003A Bonds.

"Series 2003A Bond Insurer" means, with respect to the Series 2003A Bonds, or any successor thereto.

"Series 2003A Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2003A, in an initial aggregate principal amount of $39,945,000.

"Special Record Date" means a special record date established pursuant to the Indenture.

"State" means the State of New Mexico.

"Supplemental Indenture" means any supplemental indenture approved by the NMFA in accordance with the Indenture amending or supplementing the Indenture or any Supplemental Indenture.

"Trust Estate" means the property held in trust by the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means Bank of Albuquerque, N.A., Albuquerque, New Mexico and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor Trustee under the Indenture.

THE INDENTURE

Registration and Exchange of Bonds

Books for the registration and for the transfer of the Bonds shall be kept by the Trustee which is appointed the Bond Registrar with respect to the Bonds. Any Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any fully registered Bond at the principal office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing and satisfactory to the Trustee, the NMFA shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new, fully registered Bond or Bonds for a like aggregate principal amount. Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series and the same maturity. The execution by the NMFA of any Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Bond. The NMFA and the Trustee shall not be required to transfer or exchange any Bond of a particular Series (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds of a particular Series for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The NMFA, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered on the registration books kept by the Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the NMFA, nor the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond shall be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In each case the Trustee shall require the payment by the Registered Owner requesting exchange or transfer, only of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Nonpresentment of Bonds

In the event that any Bond shall not be presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond shall have been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the NMFA to the holder thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability to the holders of such Bonds for interest thereon, for the benefit of the holder of such Bond who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Moneys so deposited with the Trustee which remain unclaimed four (4) years after the date payment thereof becomes due shall, to the extent authorized by applicable law, at the request of the NMFA and if the NMFA is not at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture and if to the knowledge of the Trustee there has been no Event of Default, be repaid to the NMFA and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the NMFA; provided that the Trustee, before making payment to the NMFA, may cause a notice to be given to the Owners of the Bonds at their registered addresses, stating that the moneys remaining unclaimed will be returned to the NMFA after a specified date. Upon payment of such amounts to the NMFA by the Trustee, the NMFA shall deal with such money as required by applicable law.

Covenants of the NMFA

The NMFA will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or Supplemental Indenture or in any Bond, including the following covenants and agreements:

Covenant Against Creating or Permitting Liens. Except for the pledge of the Trust Estate to secure payment of the Bonds, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that (i) nothing contained in the Indenture shall prevent the NMFA from issuing, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinated to that of the Bonds and (ii) Revenues constituting NMFA Portion of the Governmental Gross Receipts Tax and payments of Additional Pledged Loans not needed for payments under the Indenture in any Bond Year may be released to the NMFA free and clear of the lien as provided in the Indenture.

Existence; Compliance with Laws. The NMFA shall take no action to discontinue maintenance of its existence nor to impair its rights, powers, privileges, and franchises, and shall comply will all valid and applicable laws, acts, rules, regulations, permits, orders, requirements, and directions of any legislative, executive, administrative, or judicial body which may relate to the execution and delivery of the Bonds and the performance of the NMFA's obligations under the Indenture.

No Transfer of Loan Agreements, Grant Agreements, Security Documents and Securities; Exceptions, Further Assurance. The NMFA and the Trustee shall not transfer any of the Loan Agreements, Grant

Agreements, Security Documents and Securities except as specifically authorized in the Indenture in furtherance of the security for the Bonds; provided that, (i) once the Governmental Unit has repaid all amounts, if any, owing under its Loan Agreement, Grant Agreement, Securities, or Additional Pledge Loan and complied with the other provisions thereof, the NMFA and the Trustee may release such Agreement or Additional Pledge Loan and any Security Documents from the pledge created under the Indenture; and (ii) the NMFA may direct the release of any Agreement or Additional Pledged Loan from the lien and pledge of the Trust Estate under the Indenture upon the delivery to the Trustee of a Cash Flow Statement reflecting such release. Except to the extent otherwise provided in the Indenture, the NMFA shall not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners may be impaired and shall, from time to time, execute and deliver such further instruments and shall take such further action as may be required to carry out the purposes of the Indenture.

Financing Statements. The NMFA and the Trustee shall cause the Indenture to be filed as a financing statement with the Secretary of State of the State, in such manner and at such places as may be required by law fully to protect the security interest of the Owners of the Bonds and the right, title, and interest of the Trustee in and to the Trust Estate. From time to time, the Trustee may, but shall not be required to, obtain an opinion of counsel setting forth what, if any, actions by the NMFA or Trustee should be taken to preserve such security. The NMFA shall execute or cause to be executed any and all further instruments as shall reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and shall furnish satisfactory evidence to the Trustee that such actions have been taken and shall take such other action as is necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds executed and delivered under the Indenture shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel may be necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds shall have been paid.

Rights Under Loan Agreements; Grant Agreements, Security Documents and Securities. The Loan Agreements, Grant Agreements, Security Documents and Securities set forth the covenants and obligations of the Governmental Units, including provisions that, subsequent to the issuance of a Series of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions of the Indenture, the Loan Agreements, Grant Agreements, Security Documents and Securities may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Trustee in accordance with the Indenture, and reference is made to the same for a detailed statement of said covenants and obligations of the Governmental Units thereunder.

Bonds to be Tax-Exempt Obligations. The NMFA covenants and agrees to and for the benefit of the Owners that the NMFA (i) will not take any action that would cause interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the exemption from federal income taxation of interest on the Bonds. The provisions of this paragraph shall not apply to Bonds designated in the related Supplemental Indenture as bearing or accruing interest intended to be subject to Federal income taxation.

State Pledge of Non-Impairment. The State has pledged to and agreed with the Bondholders (as an obligation issued under the Act) that the State will not limit or alter the rights vested in the NMFA under the Act to fulfill the terms of the Indenture with the Bondholders or in any way impair the rights and remedies of those holders until the Bonds together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of those holders, are fully met and discharged.

Deposit and Advance of Funds.

The NMFA and the Trustee shall deposit the proceeds of the Bonds to the Accounts created under the Indenture and shall make the advances of funds thereunder to fund the Program and the NMFA shall enter into the Loan Agreements and Grant Agreements with the Governmental Units and purchase and receive the Securities and Security Documents from the Governmental Units on the terms and conditions and upon submission of the documents as provided in the Indenture.

The following restrictions shall apply to financings made by the NMFA under the Indenture:

(a) The aggregate principal amount of each Loan Agreement, Grant Agreement and Security shall be in whole multiples of Authorized Denomination.

(b) Without the Approval of Bond Counsel, (i) no advance from the Program Fund shall be made or used to reimburse a Governmental Unit for amounts spent from such Governmental Unit's own funds prior to the date the Governmental Unit executed and delivered the Loan Agreement, Grant Agreement or Securities under the Program, and (ii) no Program Fund moneys shall be disbursed to refund or advance refund any obligations issued on behalf of a Governmental Unit.

(c) Each Agreement shall require that the final disbursement of moneys from the Governmental Unit's Account within the Program Fund to a Governmental Unit shall be made no later than the date which is three years after the execution and delivery of the Agreement, unless the NMFA and the Trustee have received the Approval of Bond Counsel for a later date.

(d) Each Governmental Unit shall agree not to take or permit any action which would cause the respective Agreement or the related Series of Bonds to be "arbitrage bonds" under Sections 103 and 148 of the Code.

(e) Without an Approval of Bond Counsel, no amounts disbursed from the Program Fund may be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit" within the meaning of Section 141(b)(6) of the Code.

(f) Amounts disbursed from each Governmental Unit's Account within the Program Fund shall be used to finance the costs of the related Project and related expenditures on behalf of the Governmental Unit.

(g) Each Governmental Unit shall agree to pay the Rebatable Arbitrage relating to its Accounts in the Program Fund, the Agreement Reserve Fund and the Debt Service Fund.

(h) At the time of execution and delivery of each Agreement the related Governmental Unit shall execute and deliver a certificate to the effect that the Governmental Unit (i) will not take any action that would cause the interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Agreement in order to preserve the exemption from federal income taxation of the interest on the Bonds.

The provisions of Subsections (b), (c), (d), (e), (g) and (h) shall not apply to Agreements financed with proceeds of Bonds designated as intended to bear interest subject to Federal income taxes.

Loan Agreement and Securities - Loan Payments

The Loan Payments shall be governed by the following provisions:

(a) Principal, Program Costs and Interest Components. A portion of each Loan Payment is paid as, and represents payment of, interest (the "Interest Component") on the related Loan and payment of a Program Cost component relating to each loan (the "Program Cost Component") and the balance of each Loan Payment is paid as, and represents payment of, principal (the "Principal Component") on the related Loan, all as set forth in the related Loan Agreement or Securities. Amounts due as the Principal, Program Costs, and Interest Components of Loan Payments due under each Loan Agreement or Securities shall be paid on each Loan Payment Date. The Interest Component of Loan Payments for each Loan Agreement shall be the amount of interest based on a 360 day year comprised of twelve 30-day months, unless otherwise specified in the related Supplemental Indenture. The Program Cost Component may be included in the interest rate borne by a Loan.

(b) Loan Agreement and Securities Term. The "Term" of a Loan Agreement or Securities shall be defined in the Loan Agreement or Securities. The Term shall not exceed the useful life of the Project financed pursuant to the related Loan Agreement or Securities.

(c) Agreement Payment. Each Loan Agreement and Securities shall provide that the related Governmental Unit shall pay Loan Payments directly to the Trustee. In the case of Securities, the Securities shall be registered in the name of the Trustee or properly assigned to the Trustee on the books of any registrar for such Securities or if in bearer form delivered to and held by the Trustee.

(d) Prepayments. The Loan Agreements and Securities may contain a provision permitting the Governmental Unit to prepay the Principal Component of Loan Payments, in accordance with the provisions of the Loan Agreement and Securities by payment of Prepayments in whole on any date or in part on any Interest Payment Date, at any time when the related Series of Bonds are or are about to become subject to optional redemption upon not less than forty-five (45) days' prior written notice to the Trustee and subject to any other conditions set forth in the related Supplemental Indenture, Loan Agreement or Securities. Partial prepayments of the Principal Component of Loan Payments shall be made in multiples of the minimum Authorized Denomination. Each Prepayment shall include interest to the date upon which the Trustee has scheduled a related redemption of Bonds as provided in the related Supplemental Indenture.

(e) Use of Reserve at Final Payment. At the time of payment in full of each Loan Agreement or Securities, the applicable Agreement Reserve Account in the Agreement Reserve Fund shall be applied toward the final payment of amounts due under the related Loan Agreement or Securities.

Establishment of Funds and Accounts

There is established in the Indenture with the Trustee the following funds and accounts within funds, each of which shall be held, for the term of the Indenture, in Accounts segregated from all other moneys of the Trustee or the NMFA.

(a) a Program Fund and within such fund a separate Account for each Agreement;

(b) a Debt Service Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

(d) an Agreement Reserve Fund and within such fund, a separate Account for each Agreement which contemplates the establishment of an Agreement Reserve Account;

(e) an Expense Fund;

(f) a Rebate Fund and within such fund a separate Account for each Agreement; and

(g) a Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund (herein the "Revenue Fund") established as an account of the Public Project Revolving Fund.

In addition to the foregoing, with respect to Additional Pledged Loans the Trustee may, as directed in a Supplemental Indenture, establish subaccounts within the Program Fund, the Agreement Reserve Fund or the Debt Service Fund for such Additional Pledged Loans.

<u>Flow of Funds</u>

All Funds shall be accounted for and maintained by the NMFA in the Funds and Accounts established in the Indenture. Each Fund and Account shall be kept separate and apart from all other Funds and Accounts of the NMFA. The Funds shall be expended and used by the NMFA only in the manner of order and priority specified below:

<u>Program Fund</u>

(a) upon the issuance of a Series of Bonds the Trustee shall deposit the amount specified in the related Supplemental Indenture in the Program Fund and shall allocate such amount to the respective Accounts within the Program Fund as provided in each Agreement. Disbursements from each Account within the Program Fund shall be made as provided below and may be made in stages.

(b) Disbursements from each Account within the Program Fund with respect to an Agreement with a Governmental Unit shall (except for amounts to be used for capitalized interest on the Loan and as may be directed in a Supplemental Indenture with respect to Grants) only be made upon the delivery to the Trustee of a requisition substantially in the form attached to each Agreement signed by an Authorized Officer of the Governmental Unit, as applicable: (1) stating the name and address of the payee, the amount to be paid and the purpose of the payment; (2) certifying that the amount to be paid is for costs of the Project and is due and payable, has not been the subject of any previous requisition and is a proper charge against the Account within the Program Fund pursuant to this Paragraph (b); (3) certifying that all representations contained in the Agreement and the related documents remain true and correct and that the Governmental Unit is not in breach of any of the covenants contained therein; and (4) in the case of the final requisition, certifying that payment of costs of the Project is complete or that the Governmental Unit shall, and understands its obligation to, complete the acquisition or construction of the Project from other legally available funds.

(c) Without an Approval of Bond Counsel and except with respect to Agreements relating to Bonds designated in the related Supplemental Indenture as bearing or accruing interest subject to federal income taxation, no disbursement shall be made from the Governmental Unit's Account in the Program Fund:

(i) to reimburse the Governmental Unit's own funds for expenditures made prior to the date on which the governing body of the Governmental Unit executed and delivered the Agreement,

(ii) to refund or advance refund any obligations issued by or on behalf of the Governmental Unit, or

(iii) to be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit," within the meaning of Section 141(b)(6) of the Code.

(d) Moneys in the Governmental Unit's Account in the Program Fund following the payment of amounts due for the costs of the Project may be transferred to such Governmental Unit's Account in the Debt Service Fund for application to the payment of the principal of and interest on the Loan or the Prepayment of the Principal Component of the Loan Agreement or Securities and a related redemption of Bonds, as provided in the related Supplemental Indenture.

(e) The Trustee shall keep the Program Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

(f) Investment earnings on amounts held in each Account of the Program Fund shall be retained in such Account of the Program Fund and used as provided herein as other amounts on deposit therein or to be deposited to the Rebate Account.

(g) Moneys deposited in the Program Fund for the payment of capitalized interest on the Loan may be disbursed by the Trustee to the appropriate account in the Debt Service Fund to pay interest on the related Loan during construction of the related Project.

(h) If directed in the related Supplemental Indenture, amounts to be used to fund Grants may, in lieu of deposit to the Program Fund, be disbursed to the Governmental Unit upon the issuance of the related Series of Bonds.

(i) Proceeds of Additional Pledged Loans deposited to a separate subaccount of the Governmental Units Account within the Program Fund shall be accounted for and used as described above with respect to proceeds of Bonds; provided that the provisions of paragraph (c) above shall not apply to such amounts.

<u>Application of Loan Payments.</u>

The flow of funds is discussed in the forepart of this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS - Flow of Funds."

Pursuant to the Supplemental Indenture authorizing the Series 2000A Bonds, the payments required to be made by the 2000A Governmental Unit pursuant to the 2000A Agreement are to be paid directly to the

Trustee from the New Mexico Taxation and Revenue Department pursuant to an Intercept Agreement between NMFA and the 2000A Governmental Unit, and the Trustee is to deposit all such payments immediately upon receipt thereof as follows:

(i) moneys identified by the NMFA as being from the receipt of the Correctional Facility Tax shall be deposited into the Series 2000A Correctional Facility Tax Account and moneys identified by the NMFA as being from the receipt of the 2000A Governmental Unit Gross Receipts Tax shall be deposited into a Series 2000A Governmental Unit Gross Receipts Tax Account, both in the Series 2000A Tax Revenue Fund;

(ii) moneys on deposit in the Series 2000A Correctional Facility Tax Account shall be applied as follows:

First: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the 2000A Agreement;

Second: to the extent moneys are available for such purpose, to the payment of Program Costs;

Third: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Agreement Reserve Fund until such time as the balance on deposit in said Account equals the Agreement Reserve Requirement of such Account; and

Fourth: to the extent moneys are available for such purpose, to the Series 2000A Correctional Facility Tax Redemption Fund to annually redeem Series 2000A Bonds on or as soon as is reasonably practicable after June 2 from moneys deposited prior to the preceding June 1 in accordance with the Supplemental Indenture. Any excess Correctional Facility Tax revenues not applied to redemption shall be returned to the 2000A Governmental Unit Debt Service Account.

(iii) moneys on deposit in the Series 2000A Governmental Unit Gross Receipts Tax Account shall be applied as follows:

First: to the extent moneys from the Series 2000A Correctional Facility Tax Account deposited into the 2000A Governmental Unit Debt Service Account and the 2000A Governmental Unit Agreement Reserve Account in the Agreement Reserve Fund are insufficient to meet the then required principal and interest payments due or to next become due with respect to the 2000A Agreement, to the 2000A Governmental Unit's Debt Service Account the amount necessary to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the 2000A Agreement;

Second: to the extent money from the Series 2000A Correctional Facility Tax Account are insufficient to pay the 2000A Governmental Unit's share of Program Costs, an amount necessary to pay such Program Costs; and

Third: to the 2000A Governmental Unit, the balance of the moneys remaining in the Series 2000A Governmental Unit Gross Receipts Tax Account as soon as reasonably practicable after June 2 of each year.

All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), shall be deposited in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Agreement provided, however, that all earnings received on the Governmental Unit's Accounts shall be allocated solely to the benefit of such Governmental Unit. The Trustee shall notify the Governmental Unit at least fifteen (15) days prior to the due date of its next payment of Loan Payments of the amount of earnings so allocated.

In the event that the Trustee receives Prepayments under a Loan Agreement or Securities, the Trustee shall apply such Prepayments to the mandatory redemption of the Bonds or portions thereof in accordance with the related Supplemental Indenture.

At least once a year the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided, however, that with respect to Loans relating to the Series 1997 Bonds, the Series 1999A-D Bonds, the Series 2000B-C Bonds, the Series 2002A Bonds, and the Series 2003A Bonds, any such excess shall be disbursed as follows:

(a) Any excess attributable to earnings on funds and accounts for the Governmental Unit shall be returned to the Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; and

(b) Any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the Series 1997 Bonds, the Series 1999A-D Bonds, the Series 2000B-C Bonds, the Series 2002A Bonds, and the Series 2003A Bonds, as applicable, shall be deposited into the Revenue Fund; and, provided further, however, that with respect to the Series 2000A Loan Agreement, any such excess shall be disbursed as provided in the second paragraph under this heading "Application of Loan Payments" above.

Amounts on deposit in the respective Account of the Agreement Reserve Fund in excess of the related Agreement Reserve Account Requirement shall be transferred at least annually to the related Account of the Debt Service Fund and credited against payments next coming due under such Loan Agreement or Securities.

Amounts on deposit in the respective Account of the Agreement Reserve Fund shall be applied toward the final payment of amounts falling due under the related Loan Agreement or Securities.

As provided in an Agreement, a Governmental Unit may (i) fund an Account in the Agreement Reserve Fund over time from deposits made by or on behalf of the Governmental Unit or (ii) may use any reserve fund surety or similar investments in lieu of a cash deposit to the Agreement Reserve Fund.

Amounts on deposit in each Agreement Reserve Account, if any, secure only the payments to be made under the related Agreement and may not be applied toward payments under any other Agreement or toward payment of the Bonds, except to the extent that amounts are due and owing under the related Agreement and amounts are not otherwise available for such payments in the related Account of the Debt Service Fund.

All moneys held by the Trustee in the Bond Fund shall be applied in accordance with the Indenture to pay the principal or redemption price of Bonds as they mature or become due, upon surrender thereof, and the interest on Bonds as it becomes payable. There shall be deposited into the Bond Fund all accrued interest received, if any, at the time of the execution, sale and delivery of the Bonds. Amounts remaining on deposit in the Bond Fund at the end of each Bond Fund Year and after payment of all amounts due on the Bonds for such Bond Fund Year shall be transferred to the Revenue Fund.

Investment of Moneys

Any moneys held as part of a Governmental Unit's Account in any of the Funds established under the Indenture shall be invested and reinvested by the Trustee at the direction of the related Governmental Unit in Permitted Investments in accordance with the following provisions.

Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in the related Debt Service Account is insufficient to pay the principal of and premium, if any, and interest on the related Loan Agreement or Securities when due. In the absence of an appropriate direction from a Governmental Unit as to investment of funds, the Trustee shall invest and reinvest such amounts in a daily money market fund which invests only in United States Government Obligations.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund or the Bond Fund shall be invested and reinvested by the Trustee at the direction of the NMFA only in Permitted Investments in accordance with the Indenture. Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of the investments on deposit in the Bond Fund whenever the cash balance in the Bond Fund is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due.

All such investments shall at all times be a part of the account or fund from where the money used to acquire such investments was deposited and all gains thereon shall be credited to, and losses thereon shall be charged against, such accounts or funds except as expressly provided to the contrary in the Indenture.

All investments shall mature, or be subject to repurchase, withdrawal without penalty, or redemption at the option of the owner on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes of the Indenture.

The principal of the investments and the interest, income, and profits received in respect thereof shall be applied as follows:

(i) all interest, income, and profits received in respect of the investment of the amounts on deposit in a Governmental Unit's Account in any of the Funds established under the Indenture shall (after deduction of any losses) be retained in the applicable Governmental Unit's Account from which the investment was derived (except as otherwise required with respect to the Agreement Reserve Fund and deposits to be made to the Rebate Fund); and

(ii) all interest, income, and profits received in respect of the investment of the amounts on deposit in the Revenue Fund, the Rebate Fund or the Bond Fund shall (after deduction of any losses) be retained in such Fund; and

(iii) whenever any other transfer or payment is required to be made from any particular Fund or Account, such transfer or payment shall be made from such combination of maturing principal, redemption, or repurchase prices, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any permitted investments to be redeemed, withdrawn, or sold, and any penalties, gains, or losses to be realized upon any such redemption, withdrawal, or sale.

The Trustee shall not be accountable for any depreciation in the value of the Permitted Investments or any losses incurred upon any authorized disposition thereof.

Method and Frequency of Valuation. In computing the amount in any Fund or account, Permitted Investments shall be valued at least annually at cost, including commissions and accrued interest but excluding interest accrued following acquisition.

Defeasance

When there shall have been paid, or there shall be provisions for payment made to or for the holders and Owners of the Bonds, the principal of and premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein, and if there shall have been paid to the Trustee and any paying agents all sums of money due or to become due according to the provisions of the Indenture, then these presents and the estate and rights granted by the Indenture shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture and on demand of the NMFA shall execute such documents to evidence such release as shall be reasonably required by the NMFA and shall turn over to the NMFA all balances held by the Trustee under the Indenture (other than amounts required for return to the Governmental Units as provided in the Indenture).

Any Bond shall be deemed to be paid within the meaning of and for all purposes of the Indenture when (a) payment of the principal of and the applicable premium, if any, on such Bond, whether at maturity or prior redemption plus interest thereon to the due date thereof, either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent shall have irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, and/or (2) noncallable Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or noncallable Governmental Obligations.

Notwithstanding anything in the Indenture to the contrary, all moneys so deposited with the Trustee (or other escrow agent) as provided in the defeasance provisions of the Indenture may at the direction of the

NMFA also be invested and reinvested in noncallable Governmental Obligations, maturing in the amount and at times as hereinbefore set forth, and all income from all noncallable Governmental Obligations in the hands of the Trustee which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Revenue Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

All moneys or noncallable Governmental Obligations set aside and held in trust pursuant to the defeasance provisions of the Indenture for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and noncallable Governmental Obligations have been so set aside in trust.

Neither the obligations nor the moneys deposited with the Trustee (or other escrow agent) pursuant to the defeasance provisions of the Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal or redemption price of, and interest on, the Bonds or portions thereof

Whenever moneys or obligations shall be deposited with the Trustee (or other escrow agent) for the payment or redemption of any Bonds more than sixty (60) days prior to the date that such Bonds are to mature or be redeemed, the Trustee shall mail a notice stating that such moneys or obligations have been deposited and identifying the Bonds for the payment of which such moneys or obligations are being held, to all Owners of Bonds for the payment of which such moneys or obligations are being held.

No such deposit under the defeasance provisions of the Indenture shall be made or accepted under the Indenture and no use made of any such deposit unless the Trustee shall have received an Approval of Bond Counsel to the effect that such deposit and use would not cause the Bonds to be treated as arbitrage bonds within the meaning of Sections 148 of the Code.

Notwithstanding anything in the Indenture to the contrary, if moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to the defeasance provisions of the Indenture for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture shall be made without the consent of the Registered Owner of each Bond affected thereby.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on any Series of Bonds shall be paid by a bond insurer with respect to such Series of Bonds pursuant to a municipal bond insurance policy, the Bonds of such Series shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the NMFA, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the NMFA to the Registered Owners of such Series of Bonds shall continue to exist and shall run to the benefit of such bond insurer, and such bond insurer shall be subrogated to the rights of such Registered Owners of such Series of Bonds.

Default Provisions and Remedies of the Trustee and Owners

Events of Default Defined. Each of the following events is an "Event of Default" under the Indenture:

(a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable; or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund hereunder or otherwise; or

(c) if the NMFA shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the NMFA, appointing a receiver or custodian for any of the Revenues of the NMFA, or approving a petition filed against the NMFA seeking reorganization of the NMFA under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the NMFA shall not be vacated or discharged or stayed on appeal within 30 days after the entry thereof, or

(e) if any proceeding shall be instituted, with the consent or acquiescence of the NMFA, for the purpose of effecting a composition between the NMFA and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or

(f) if (i) the NMFA is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the NMFA, a receiver, Trustee or custodian of the NMFA or of the whole or any part of their property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the NMFA shall file a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the NMFA or of the whole or any substantial part of the property of the NMFA, and such custody or control shall not be terminated within 30 days from the date of assumption of such custody or control; or

(i) if the NMFA shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or the Indenture or any Supplemental Indenture on the part of the NMFA to be performed, other than as set forth above in this section and such Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the NMFA by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Remedies of the Trustee. If an Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name:

(a) by mandamus or other action or proceeding or suit at law or in equity enforce the rights of the Owners of the Bonds under the Indenture, including enforcing any rights under the Agreements and Security Documents and the provisions of the Indenture for the benefit of the Owners of the Bonds against the NMFA and any related Governmental Unit, and compel the NMFA and any related Governmental Unit, to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained in the Indenture or in any Agreement (including the appointment of a receiver); or

(b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) intervene in judicial proceedings that affect the Bonds, the Agreements or the security therefor; or

(d) exercise any or all remedies permitted under the Agreements or Security Documents; or

(e) cause the NMFA or any related Governmental Unit to account as if it were the Trustee of an express trust for all of the Revenues or Agreement Pledged Revenues, pledged under the Indenture or pursuant to the Agreements and any Security Documents.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any subsequent default or breach of duty or contract. No delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Owners, the Trustee, the Owners, the NMFA, and the Governmental Units shall be restored to the former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or the Owners under the Indenture is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing in law or in equity or by statute or otherwise and may be extended without exhausting and without regard to any other remedy conferred by any law.

No Liability by the Governmental Units to the Owners. Except for the payment when due of the Loan Payments and the performance of the other agreements and covenants required to be performed by it contained in the Agreements and Security Documents, the Governmental Units will not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Loan Payments, by the Trustee, or with respect to the performance by the NMFA of any right or obligation required to be performed by it contained in the Indenture or for the performance by any other Governmental Unit of such other Governmental Unit's obligations under an Agreement or Security Documents.

Limitation of Owners' Right to Bring Suit. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, for the appointment of a receiver or Trustee or for any other remedy, at law or in equity, unless;

(a) such Owner has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Owners of not less than a majority of the aggregate principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture;

(c) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

It being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of the Indenture or the rights of any other Owners or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all Bond Owners. Notwithstanding the foregoing, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of interest on such Bond when due in accordance with the terms of the Bonds and the Indenture and the principal of such Bond at the stated maturity of the Bonds and to institute suit for the enforcement of any such payment in accordance with the provisions of the Indenture and such rights shall not be impaired without the consent of such Owner.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee, provided that such direction shall not be in conflict with any rule of law or with the Indenture or unduly prejudice the rights of minority Owners of Bonds.

Application of Funds Upon Default. All moneys received by the Trustee or by any receiver pursuant to any right given or action taken under the default provisions of the Indenture or under the provisions of the related Agreements, shall, after payment of the reasonable costs and fees of, and the reasonable expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited during the continuance of an Event of Default (other than moneys deposited to the Bond Fund for the payment of Bonds which have previously matured or otherwise become payable prior to such Event of Default), together with all moneys in the Funds maintained by the Trustee under the Indenture, shall be applied as follows;

(a) Unless the principal of all Bonds shall have become due and payable, all such moneys shall be applied, as follows:

First: To the payment to the persons or entity entitled thereto of all installments of interest then due on the Bonds, in the order of maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the persons or entity entitled thereto without any discrimination or privilege;

Second: To the payment to the persons or entity entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for prepayment for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on such Bonds at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons or entities entitled thereto without any discrimination or privilege;

Third: To be held for the payment to the persons entitled thereto as the same shall become due of the principal of, the premium, if any, and interest on the Bonds which may thereafter become due at maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with the interest on overdue principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bonds over any other certificates, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such moneys it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such date and of the Special Record Date in accordance with the Indenture. The Trustee shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate principal amount of all the Bonds then outstanding in respect of which Default in the payment of principal and interest exist, or (b) a majority in aggregate principal amount of the Bonds then Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any Event of Default in the payment of the principal of any Bonds at the date of maturity specified therein, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee and the Registered Owners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

SUPPLEMENTAL INDENTURES

Supplemental Indentures Not Requiring Consent of Owners. The NMFA and the Trustee may, without consent of, or notice to, any of the Owners enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(a) To provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;

(b) To cure any ambiguity or formal defect or omission in the Indenture;

(c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee;

(d) To subject to the Indenture additional revenues, properties or collateral;

(e) To evidence the appointment of a separate Trustee or paying agent or the succession of a new Trustee or paying agent under the Indenture;

(f) To make any other change which in the judgment of the Trustee is not materially adverse to the interests of the Trustee or any of the Owners;

(g) To make any amendments with the prior written confirmation from the Rating Agency that such amendments will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment; and

(h) To add additional covenants of the NMFA or any Governmental Unit or to surrender any right or power conferred upon the NMFA in the Indenture or any Governmental Unit or to grant additional powers or rights to the Trustee.

Supplemental Indentures Requiring Consent of Owners. Exclusive of supplemental indentures covered by the foregoing section and subject to the following terms and provisions and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the NMFA and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the NMFA for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in this section or in the foregoing section shall permit, or be construed as permitting, (i) an extension of the maturity of the principal of, or the interest on, any Bond, or (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures, or (v) permit the creation of any lien ranking prior to the lien of the Indenture on the Trust Estate or any part thereof, or (vi) deprive the Owner of any Bond then outstanding of the lien created by the Indenture on the Trust Estate without the prior consent of 100% of the holders of the Bonds affected by such supplemental indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which adversely affects the Trustee's rights, duties or immunities under the Indenture or the Agreements.

If at any time the NMFA shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given by registered or certified mail to the owner of each Bond shown by the list of Owners kept at the office of the Trustee. Such notices shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Owners. If, within one hundred twenty (120) days or such longer period as the holders of not less than a majority in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Governmental Units from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Amendment of Agreements and Security Documents.

(a) The NMFA shall have the right to amend an Agreement and any existing Security Documents with the Consent of the Trustee and the related Governmental Unit without Bond Owners' consent, for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred upon the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in the Indenture or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgement of the Trustee shall not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

(b) If the NMFA or a Governmental Unit propose to amend an Agreement or related Security Documents in a manner not contemplated by (a) above the Trustee shall notify the Owners of the Bonds of the proposed amendment and may consent thereto with the consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding.

Fees, Charges and Expenses of the Trustee

Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond for the Trustee's advances, fees, costs and expenses incurred.

APPENDIX C

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE

The following economic and demographic information is furnished for information only. The Bonds do not constitute a general obligation of the State and are special obligations of NMFA payable solely from the Trust Estate. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003A BONDS."

Generally

The State of New Mexico (the "State") was admitted as the forty-seventh state on January 6, 1912. It is the fifth largest state, containing approximately 121,593 square miles.

The State's climate is characterized by sunshine and warm, bright skies in both winter and summer. Every part of the State receives no less than 70% sunshine year-round. Humidity ranges from 60% (mornings) to 30% (afternoons). Evenings are crisp and cool in all seasons because of the low humidity.

The State has a semiarid subtropical climate with light precipitation. Thunderstorms in July and August bring most of the moisture to the State. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains).

Governmental Organization

The State's government consists of the three branches characteristic of the American political system: executive, legislative and judicial. The executive branch is headed by a governor, who is elected for a four-year term. A governor may succeed himself in office only once. Following a reorganization plan implemented in 1978 to reduce and consolidate some 390 agencies, boards and commissions, the primary functions of the executive branch are now carried out by seventeen cabinet departments, each headed by a cabinet secretary appointed by the Governor.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected to four-year terms, and members of the House to two-year terms. The Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to sixty calendar days in odd-numbered years and thirty calendar days in even-numbered years. In addition, special sessions of the Legislature maybe convened by the Governor and, under certain limited circumstances, extraordinary sessions may be convened by the legislators. Legislators receive no salary, but do receive per them and mileage allowances while in session or on official State business.

The judicial branch is composed of a statewide system of Magistrate and District Courts, the Court of Appeals and the Supreme Court. The District Court is the trial court of record with general jurisdiction.

Economic and Demographic Information

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the official 2000 United States Census was 1,819,046. In the 1990's, the State was the 12th fastest growing state, as the population increased 20.1 percent from the 1990 population of 1,515,069. Over the same period of time, the national population grew 13.2 percent.

Most of this population growth is occurring in or near the large cities. There are three Metropolitan Statistical Areas (MSAs) in the state. The Albuquerque MSA is comprised of Bernalillo, Sandoval and Valencia Counties; the Las Cruces MSA is in Doña Ana County; and the Santa Fe MSA includes Los Alamos and Santa Fe Counties. The fastest growing counties in the state are Torrance, Valencia, Sandoval, Lincoln, Luna and Doña Ana.

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing, and mining. In Fiscal Year 2001, the value of energy resources production (crude petroleum, natural gas and coal) was approximately $10.6 billion. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The following table presents data on employment by industry compiled by the U.S. Bureau of Labor Statistics for 2001.

Employment by Industry Group
2001

Industry	Employment
Services	222,200
Government	185,800
Retail Trade	147,100
Construction	45,900
Manufacturing	43,100
Transportation & Public Utilities	37,300
Finance, Insurance & Real Estate	32,600
Wholesale Trade	26,600
Mining	16,200

State of New Mexico
Wages and Salaries by Industry Sector, 1990-2000
($ in millions)

	New Mexico		United States		Percent Change		Distribution of 2000 Wages & Salaries	
	2000	1999	2000	1999	N.M.	U.S.	N.M.	U.S.
Farm Total	186,056	96,717	16,781	11,767	92.4%	42.6%	0.9%	0.3%
Non-Farm								
Private								
Agricultural Services, Forestry & Fishing	141,363	62,487	30,886	15,164	126.2%	103.7%	0.6%	0.6%
Mining	620,244	507,579	31,219	26,655	32.0%	17.1%	3.1%	0.6%
Construction	1,332,639	579,948	256,807	140,468	129.8%	82.8%	6.1%	5.3%
Manufacturing	1,655,566	997,281	830,026	561,384	66.0%	47.9%	7.6%	17.2%
Transportation & Public Utilities	1,355,344	869,235	313,333	179,390	55.9%	74.7%	6.2%	6.5%
Wholesale Trade	950,063	551,728	332,549	189,402	72.2%	75.6%	4.4%	6.9%
Retail Trade	2,454,562	1,320,835	449,642	264,791	85.8%	69.8%	11.3%	9.3%
Finance, Insurance & Real Estate	1,026,612	554,043	431,911	207,758	88.7%	107.9%	4.7%	8.9%
Services	6,157,282	2,991,912	1,382,404	644,429	105.8%	114.5%	28.3%	28.6%
Total Private	15,743,675	8,425,048	4,058,777	2,229,441	86.9%	82.1%	72.3%	84.0%
Government								
Federal, Civilian	1,281,899	916,102	135,011	99,598	39.9%	35.6%	5.9%	2.8%
Military	472,396	440,596	50,520	46,332	7.2%	9.0%	2.2%	1.0%
State & Local	4,104,359	2,414,368	572,880	356,505	70.0%	60.7%	18.8%	11.9%
Total Government:	5,858,654	3,771,066	758,411	502,435	55.4%	50.9%	26.9%	15.7%
Non-Farm Total:	21,602,329	12,196,114	4,817,188	2,731,876	77.1%	76.3%	99.1%	99.7%
TOTAL:	21,788,385	12,292,831	4,833,969	2,743,643	77.2%	76.2%	100.0%	100.0%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

State of New Mexico
Civilian Labor Force, Employment and Unemployment
in New Mexico and the United States, 1991-2001

	Civilian Labor Force (000)		Number Employed (000)		Unemployment Rate		
Year	N.M.	U.S.	N.M.	U.S.	N.M.	U.S.	NM as % of U.S. Rate
1991	726	126,346	674	117,718	7.1%	6.8%	104%
1992	741	128,105	689	118,492	7.0%	7.5%	93%
1993	756	129,200	698	120,259	7.7%	6.9%	112%
1994	778	131,056	729	123,060	6.3%	6.1%	103%
1995	791	132,304	741	124,900	6.3%	5.6%	113%
1996	798	133,943	734	126,708	8.1%	5.4%	150%
1997	814	136,297	763	129,558	6.3%	4.9%	129%
1998	831	137,673	780	131,463	6.2%	4.5%	138%
1999	809	139,368	764	133,488	5.6%	4.2%	133%
2000	833	140,863	792	135,208	4.9%	4.0%	123%
2001	838	141,815	798	135,073	4.8%	4.8%	100%

Source: New Mexico Department of Labor, Bureau of Labor Statistics

State of New Mexico
Per Capita Personal Income in New Mexico
and the U.S., 1991-2001

	Per Capita Income			Annual % Change	
Year	New Mexico	U.S.	NM as % of U.S.	New Mexico	U.S.
1991	$15,661	$20,023	78%	4.8%	2.3%
1992	16,274	20,960	78%	3.9%	4.7%
1993	16,999	21,539	79%	4.5%	2.8%
1994	17,636	22,340	79%	3.7%	3.7%
1995	18,435	23,255	79%	4.5%	4.1%
1996	18,964	24,470	78%	2.9%	4.4%
1997	19,641	25,412	77%	3.6%	4.7%
1998	20,551	26,893	76%	4.6%	5.8%
1999	20,949	27,843	75%	1.9%	3.5%
2000	21,931	29,469	74%	4.7%	5.8%
2001	23,162	30,271	77%	5.6%	2.7%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

CERTAIN INFORMATION CONCERNING THE GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES

Pursuant to the Continuing Disclosure Undertaking to be executed in connection with the Series 2003A Bonds, the NMFA agrees to provide with respect to any Governmental Unit whose Loan repayment obligations constitute more than 5% of the estimated annual Revenues in any year when the Series 2003A Bonds are outstanding (the "5% test"), information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Pledged Revenues and audited financial statements for any Governmental Unit meeting the 5% test. Currently the City of Albuquerque, New Mexico is the only Governmental Unit whose Loan repayment obligations meet the 5% test.

Generally

Albuquerque is the largest city in the State, accounting for roughly one-quarter of the State's population. Located at the center of the State in Bernalillo county at the intersection of two major interstate highways and served by both road and air, Albuquerque is the major trade, commercial and financial center of the State.

Security for Payments on NMFA Loans

Special Assessment District Loans

The City of Albuquerque has created a number of special assessment districts within the City pursuant to statutory procedures and in compliance with City policies. The districts make needed infrastructure improvements, such as street, storm drainage, sanitary sewer, water, electric line and gas line improvements, and assess the costs thereof against the property benefitting from such improvements. The assessments have a lien on each parcel of land in the district as to the respective amounts relating to such parcel, which lien has a priority on the land equal to the lien thereon for general and ad valorem taxes and superior to all other liens, claims and taxes.

Pursuant to a Tax Exempt Loan Agreement in the amount of $11,568,376 and a Taxable Loan Agreement in the amount of $788,685, both entered into on July 27, 2000 between Albuquerque and the NMFA, Albuquerque has pledged to the NMFA the money collected from its Special Assessment District No. 226 ("District 226"). District 226 provides infrastructure improvements to 29 streets, all within Albuquerque City Council District No. 1 and comprised of portions of the Knolls at Paradise Hills (located north of Congress Avenue and east of Golf Course Road).

Pursuant to a Loan Agreement in the amount of $3,867,500 entered into on December 15, 2000 between Albuquerque and the NMFA, Albuquerque has pledged to the NMFA the money collected from its Special Assessment District No. 225 ("District 225"). District 225 provides infrastructure improvements to the Paradise Heights - Unit 1 Subdivision within the northwest quadrant of the City. District 225 is bounded on the north by the Blacks Arroyo Flood Control improvements; on the east by Seven Bar Subdivision Developments; on the south by McMahon Boulevard; and on the west by vacant land west of the lots fronting Dover and Buckboard Streets.

Pursuant to a Loan Agreement in the amount of $2,605,539 entered into on October 26, 2001 between Albuquerque and the NMFA, Albuquerque has pledged to the NMFA the money collected from its Special Assessment District No. 222 ("District 222"). District 222 provides infrastructure improvements to a rapidly developing area within the southwest quadrant of the City very near the western City limits. District 222 is bounded on the north by Central Avenue and Sunset Gardens Road; on the east by 98' Street, 86", 82', and Snow Vista Boulevard; on the south by San Ygnacio and Benavides Roads; and on the west by the Snow Vista Channel.

The City and the NMFA entered into a Loan Agreement in the amount of $1,314,322 on May 24, 2002 relating to the City Special Assessment District No. 216 ("District 216"). District 216 provides infrastructure improvements to an area generally between AT&SANTA FE Railroad lines on the west, Montaño Road on the north, AMAFCA North Diversion Channel on the east and an extension of Aztec Road on the south. Approximately one third of the property is outside the Albuquerque Municipal Limits. Bernalillo County provides street and drainage improvements to areas lying within the County and outside the City limits.

Helicopter Loan

Pursuant to a Loan Agreement in the amount of $700,000 entered into on April 27, 2001 between Albuquerque and the NMFA, Albuquerque has pledged to the NMFA the money collected from a subordinate pledge of State-Shared Gross Receipts Tax revenues of the City for a police helicopter.

Drinking Water Loans

On May 10, 2002, the City and the NMFA entered into a $2,450,000 Drinking Water State Revolving Fund Loan Agreement and a $450,000 Public Project Revolving Fund Loan Agreement financing the construction of several chemical storage facilities at various sites as part of the City's program of converting from gas chlorination systems to onsite generation of sodium hypochlorite for water supply disinfection. The City pledged the net revenues of its water and sanitary sewer system to the repayment of these loans. Only the $450,000 PPRF Loan Agreement is part of the PPRF program.

Stadium Loans

The City and the NMFA entered into a Taxable Surcharge Loan Agreement in the principal amount of $9,000,000 and a Taxable Stadium Lease Loan Agreement in the principal amount of $6,000,000, both to finance the renovation of the Albuquerque Sports Stadium. The Taxable Surcharge Loan Agreement is secured by the revenues to be collected from the City's Stadium Surcharge imposed pursuant to City Council Ordinance Enactment No. 60-2001, and equal to ten percent (10%) of Stadium receipts as described therein. The Taxable Stadium Lease Loan Agreement is secured by all revenues derived by the City from the Albuquerque Baseball Club, LLC pursuant to the Stadium Lease Agreement dated October 2001. Both loans are also secured by a pledge of revenues from the State of New Mexico gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, and imposed on persons engaging in business in the State. These loans may be included in the PPRF program in the future.

APPENDIX E
FORMS OF OPINIONS OF CO-BOND COUNSEL

[Form of Opinion of Ballard Spahr Andrews & Ingersoll, LLP]

April _, 2003

New Mexico Finance Authority
409 St. Michael's Drive
Santa Fe, New Mexico 87505

Re: New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 2003A

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 2003A in the aggregate principal amount of $39,945,000 (the "Series 2003A Bonds"). The Series 2003A Bonds are being issued for the purpose of providing funds to (i) reimburse the NMFA for loans previously made to or for securities previously purchased from certain governmental units within the State of New Mexico (each a "Governmental Unit") to finance a public project for the use and benefit of the respective Governmental Unit, and (ii) pay costs of issuance.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21-1 et seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 2003A Bonds are authorized under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 as heretofore amended and supplemented (the "General Indenture"), and as further amended and supplemented by a Forty-Ninth Supplemental Indenture of Trust dated as of March 1, 2003 (the "Forty-Ninth Supplemental Indenture," and collectively with the General Indenture, the "Indenture") between the NMFA and Bank of Albuquerque, N.A., Albuquerque, New Mexico, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The NMFA has previously issued other series of its Public Project Revolving Fund Revenue Bonds which are outstanding under the Indenture (the "Outstanding Parity Bonds" and sometimes together with the Series 2003A Bonds, the "Bonds"). The Series 2003A Bonds are issued and secured with a lien on the Trust Estate on a parity with the lien of the Outstanding Parity Bonds on the Trust Estate.

We have reviewed the Indenture, an opinion of the office of the Attorney General of the State of New Mexico, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 2003A Bonds. The NMFA and each Governmental Unit have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2003A Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2003A Bonds. We have assumed, without undertaking to determine or confirm, continuing compliance by the NMFA and each

Governmental Unit with such requirements and restrictions in rendering our opinion regarding the tax exempt status of interest on the Series 2003A Bonds.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Series 2003A Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged under the Indenture to secure the payment of the principal of and interest on the Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2003A Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a general obligation or other indebtedness of the State of New Mexico or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

4. Based on an analysis of currently existing laws, regulations, decisions and interpretations, interest on the Series 2003A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

5. Under the laws of the State of New Mexico as enacted and construed on the date hereof, interest on the Series 2003A Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2003A Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2003A Bonds; and

(c) although we have rendered an opinion that interest on the Series 2003A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003A Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003A Bonds.

Respectfully submitted,

[Form of Modrall, Sperling, Roehl, Harris & Sisk, P.A. Opinion]

April ___, 2003

New Mexico Finance Authority
409 St. Michael's Drive
Santa Fe, New Mexico 87505

Bank of Albuquerque, N.A.
Trust Division
201 Third Street, Suite 1400
Albuquerque, New Mexico 87102

Re: New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 2003A

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 2003A in the aggregate principal amount of $39,945,000 (the "Series 2003A Bonds"). The Series 2003A Bonds are being issued for the purpose of providing funds (i) to reimburse the NMFA for loans previously made to certain governmental units within the State of New Mexico (each a "Governmental Unit") to finance a public project for the use and benefit for the use and benefit of the respective Governmental Unit, and (ii) to pay the costs of issuance of the Series 2003A Bonds.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21 -1 et seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 2003A Bonds are authorized to be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 (the "General Indenture") as previously amended and supplemented between the NMFA and a predecessor trustee, and the Forty-Ninth Supplemental Indenture of Trust dated as of March 1, 2003 (the "Forty-Ninth Supplemental Indenture", and collectively with the General Indenture, the "Indenture") between the NMFA and Bank of Albuquerque, N.A., Albuquerque, New Mexico (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The NMFA has previously issued other series of its Public Project Revolving Fund Revenue Bonds which are outstanding under the Indenture (the "Outstanding Parity Bonds", and sometimes together with the Series 2003A Bonds, the "Bonds"), the Series 2003A Bonds are issued and secured with a lien on the Trust Estate on a parity with the lien of the Outstanding Parity Bonds on the Trust Estate.

We have reviewed the Indenture, an opinion of the Attorney General of the State, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the certified proceeding and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1 . The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Series 2003A Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged therefor under the Indenture, to secure the payment of the principal of and interest on Bonds subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2003A Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a debt or liability of the State of New Mexico or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2003A Bonds and the enforceability thereof and of the Indenture maybe subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Series 2003A Bonds; and

(c) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2003A Bonds or any other offering material relating to the Series 2003A Bonds and we express no opinion relating thereto.

Respectfully submitted,

APPENDIX F
BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the NMFA believes to be reliable, but the NMFA takes no responsibility for the accuracy thereof.

DTC will act as securities depository for the Series 2003A Bonds. The Series 2003A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Series 2003A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with or held for the account of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCQ, as well as by the New York Stock Exchange Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to DTC is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2003A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003A Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2003A Bonds, except in the event that use of the book-entry system for the Series 2003A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2003A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2003A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2003A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2003A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC, by Bank of Albuquerque, N.A. (the "Paying Agent" and the "Bond Registrar"). DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the NMFA or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Paying Agent or the NMFA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the NMFA or the Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

So long as Cede & Co. or its registered assign is the registered owner of the Series 2003A Bonds, the NMFA and the Paying Agent will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the NMFA or the Paying Agent and the NMFA and the Paying Agent will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Series 2003A Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC, and neither the NMFA nor the Paying Agent has responsibility for distributing such notices to the Beneficial Owners.

The Paying Agent does not have any responsibility or obligation to the DTC Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series 2003A Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2003A Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Series 2003A Bonds.

DTC may discontinue providing its services as securities depository with respect to the Series 2003A Bonds at any time by giving reasonable notice to the NMFA or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The NMFA may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

____
President

Attest: ______________________________
Assistant Secretary

STD-R-6
4/95

[This page intentionally left blank]

Recycled Paper - Printed by
IMAGEMASTER 800.452.5152

NEW ISSUE – BOOK-ENTRY ONLY

Ratings: *Moody's: Aaa*
S & P: AAA
Fitch: AAA
(See "RATINGS" herein)

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2003B Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. In the opinion of such Co-Bond Counsel to the NMFA, under existing laws, interest on the Series 2003B Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes. Such Co-Bond Counsel expresses no opinion regarding any other consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003B Bonds. See "TAX MATTERS" herein.

$25,370,000
NEW MEXICO FINANCE AUTHORITY
Public Project Revolving Fund
Revenue Refunding Bonds
Series 2003B

Dated: Delivery Date **Due:** June 1, as shown on inside cover

The New Mexico Finance Authority's Public Project Revolving Fund Revenue Refunding Bonds, Series 2003B (the "Series 2003B Bonds"), are being issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Depository Trust Company will act as securities depository for all of the Series 2003B Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each maturity of the Series 2003B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2003B Bonds will be made in book-entry form only, and beneficial owners of the Series 2003B Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Series 2003B Bonds.

The Series 2003B Bonds will be issued under and secured by an General Indenture of Trust and Pledge dated as of June 1, 1995, as previously amended and supplemented, and as amended and supplemented by a Fifty-Second Supplemental Indenture of Trust, dated as of May 1, 2003 (collectively, the "Indenture"), between the New Mexico Finance Authority (the "NMFA") and Bank of Albuquerque, N.A., Albuquerque, New Mexico, as Trustee (the "Trustee"). Interest on the Series 2003B Bonds is payable on June 1, and December 1 of each year, commencing on December 1, 2003, as more fully described herein. Principal of the Series 2003B Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedule set forth on the inside front cover.

SEE MATURITY SCHEDULE
ON INSIDE FRONT COVER

The Series 2003B Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as more fully described herein.

The Series 2003B Bonds are being issued by the NMFA to (i) refund the NMFA's currently outstanding Public Project Revolving Fund Revenue Bonds, Series 1995A maturing on and after June 1, 2006 and Public Project Revolving Fund Revenue Bonds, Series 1996A maturing on and after June 1, 2007 (collectively, the "Refunded Bonds"), and (ii) finance the costs of issuance of the Series 2003B Bonds and the refunding of the Refunded Bonds. The principal of, premium, if any, and interest on the Series 2003B Bonds are payable solely from and secured solely by the Trust Estate, which includes the NMFA Portion of the Governmental Gross Receipts Tax, certain amounts payable pursuant to agreements between the NMFA and Governmental Units heretofore and hereafter entering into agreements with the NMFA and certain moneys in funds and accounts described herein. Parity bonds have heretofore been issued and may hereafter be issued pursuant to the Indenture with a lien on the Trust Estate on a parity with the lien of the Series 2003B Bonds.

THE SERIES 2003B BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE NMFA PAYABLE, TOGETHER WITH ADDITIONAL BONDS HERETOFORE OR HEREAFTER ISSUED, SOLELY FROM AND SECURED SOLELY BY THE TRUST ESTATE PLEDGED UNDER THE INDENTURE. THE SERIES 2003B BONDS DO NOT CONSTITUTE NOR CREATE A GENERAL OBLIGATION OR OTHER INDEBTEDNESS OF THE STATE OF NEW MEXICO OR ANY GOVERNMENTAL UNIT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION.

Payment of scheduled principal and interest on the Series 2003B Bonds will be insured pursuant to a financial guaranty insurance policy to be issued concurrently with the issuance of the Series 2003B Bonds by MBIA Insurance Corporation. See "Bond Insurance" herein.

MBIA

The NMFA has undertaken, for the benefit of owners of the Series 2003B Bonds, to provide certain annual and periodic disclosure as described herein under the caption "CONTINUING DISCLOSURE UNDERTAKING" herein.

Certain legal matters will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Co-Bond Counsel to the NMFA. Certain legal matters, including certain legal matters with respect to the tax status of the interest paid on the Series 2003B Bonds, will be passed on by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Co-Bond Counsel to the NMFA. Certain legal matters will be passed on for the NMFA by the Office of the Attorney General of the State of New Mexico and for the Underwriters by Brownstein Hyatt & Farber, P.C., Albuquerque, New Mexico. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with the Series 2003B Bonds. It is expected that a single certificate for the Series 2003B Bonds will be delivered to DTC or its agent on or about June 5, 2003. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 2003B Bonds.

U.S. Bancorp Piper Jaffray Inc.

RBC Dain Rauscher **George K. Baum & Company** **Banc of America Securities LLC**

Dated: May 22, 2003

Maturity Schedule

$25,370,000

New Mexico Finance Authority
Public Project Revolving Fund
Revenue Refunding Bonds
Series 2003B

$24,850,000 Serial Bonds

Year (June 1)	Principal Amount	Interest Rate	Price	CUSIP Numbers
2004	$295,000	2.00%	100.853%	64711MSH1
2005	290,000	2.00%	101.488%	64711MSJ7
2006	1,240,000	2.00%	101.485%	64711MSK4
2007	2,075,000	2.50%	102.255%	64711MSL2
2008	630,000	2.50%	101.267%	64711MSM0
2008	1,500,000	4.00%	108.312%	64711MSX6
2009	695,000	3.00%	102.652%	64711MSN8
2009	1,500,000	4.00%	108.179%	64711MSY4
2010	280,000	3.00%	101.134%	64711MSP3
2010	2,000,000	4.25%	109.013%	64711MSZ1
2011	370,000	3.50%	103.025%	64711MSQ1
2011	2,000,000	5.00%	113.581%	64711MTA5
2012	475,000	3.50%	102.405%	64711MSR9
2012	2,000,000	5.00%	114.048%	64711MTB3
2013	605,000	3.50%	101.604%	64711MSS7
2013	2,000,000	5.00%	114.274%	64711MTC1
2014	2,725,000	5.00%	113.454%	64711MST5
2015	2,855,000	5.00%	112.462%	64711MSU2
2016	1,315,000	3.60%	98.975%	64711MSV0

$520,000 Series 2003B Term Bond due June 1, 2021 bearing interest at 4.00% Price 97.739%, CUSIP Number 64711MSW8

No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than as contained in this Official Statement, in connection with the offering of the Series 2003B Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the NMFA or the Underwriters. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized or in which any person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information contained in this Official Statement has been obtained from the NMFA, certain Governmental Units, the Series 2003B Bond Insurer and other sources that are believed by the NMFA to be reliable. The information in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the NMFA, any Governmental Unit, the Series 2003B Bond Insurer or others since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Series 2003B Bonds have not been registered under the Securities Act of 1933, nor has the Indenture been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such Acts. The registration and qualification of the Series 2003B Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2003B Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2003B Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement contains statements relating to the NMFA's and certain Governmental Units' future financial plans, receipt of future revenues and other matters that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend," "anticipate," "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

NEW MEXICO FINANCE AUTHORITY
409 St. Michael's Drive
Santa Fe, New Mexico 87505
Telephone: (505) 984-1454
Telecopy: (505) 984-0002

Board of Directors

Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Samuel O. Montoya, Secretary
Gary Bland
Ron Curry
Randy Harris
Rick Homans
James Jimenez
James L. McDonough
Joanna Prukop
Craig Reeves
David Stone

Executive Director

David W. Harris

NMFA Counsel

Office of the Attorney General
State of New Mexico

Financial Advisor

Western Financial Group, LLC
Lake Oswego, Oregon

Co-Bond Counsel

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
Albuquerque, New Mexico

Ballard Spahr Andrews & Ingersoll, LLP
Salt Lake City, Utah

TABLE OF CONTENTS

OFFICIAL STATEMENT
$25,370,000
NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE REFUNDING BONDS
SERIES 2003B

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale of the Public Project Revolving Fund Revenue Refunding Bonds, Series 2003B (the "Series 2003B Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2003B Bonds, together with additional bonds heretofore or hereafter issued on parity therewith, are collectively referred to herein as the "Bonds." Capitalized terms used herein and not defined have the meanings specified in the General Indenture of Trust and Pledge dated as of June 1, 1995, as heretofore supplemented and amended (the "General Indenture"), between the NMFA and Bank of Albuquerque, N.A., Albuquerque, New Mexico, as sucessor trustee (the "Trustee"), and as further supplemented and amended by the Fifty-Second Supplemental Indenture of Trust dated as of May 1, 2003 (the "Supplemental Indenture") between the NMFA and the Trustee and are set forth under "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - CERTAIN DEFINITIONS" in Appendix B hereto. The General Indenture and the Supplemental Indenture are collectively referred to herein as the "Indenture." See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2003B Bonds to potential investors is made only by means of the entire Official Statement.

New Mexico Finance Authority

The NMFA, established by the legislature of the State of New Mexico (the "State") in 1992, is a governmental instrumentality created to coordinate the planning and financing of state and local public projects. The NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the State, except that a legislative oversight committee is empowered to monitor and oversee its operations. For additional information concerning the NMFA, see "NEW MEXICO FINANCE AUTHORITY" herein and the financial statements included as Appendix A hereto.

Purposes of the Series 2003B Bonds

Proceeds from the sale of the Series 2003B Bonds will be used to refund the NMFA's currently outstanding Public Project Revolving Fund Revenue Bonds, Series 1995A maturing on and after June 1, 2006 and Public Project Revolving Fund Revenue Bonds, Series 1996A maturing on and after June 1, 2007. See "THE PLAN OF FINANCING" herein.

Proceeds will also be used to provide funding for the payment of costs of issuance of the Series 2003B Bonds and of the refunding of the Refunded Bonds.

Parity Bonds

Bonds with a lien on the Trust Estate on a parity with the lien thereon of the Series 2003B Bonds have been issued previously and may be issued in the future to provide loans and grants to and to purchase securities from certain other Governmental Units. For a description of the parity bonds currently outstanding, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS - Outstanding Parity Bonds." Loan agreements, grant agreements and securities relating to parity bonds heretofore or hereafter issued are referred to herein as the "Loan Agreements." The governmental units heretofore or hereafter entering into Loan Agreements are herein collectively referred to as "Governmental Units."

Authority for Issuance

The Series 2003B Bonds are being issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 *et seq.*, NMSA 1978, as amended (the "Act"), and the Indenture. For a description of the Public Project Revolving Fund Program, see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein.

Terms of the Series 2003B Bonds

Payments

The Series 2003B Bonds will be dated the Delivery Date. Interest on the Series 2003B Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2003. The Series 2003B Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear the interest rates shown on the inside front cover hereof.

Denominations

The Series 2003B Bonds are issuable in denominations of $5,000 or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry form only, and purchasers of the Series 2003B Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest on the Series 2003B Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC Participants (as hereinafter defined) for subsequent disbursement to the beneficial owners of the Series 2003B Bonds, all as more fully described in "BOOK-ENTRY ONLY SYSTEM" in Appendix F hereto. In reading this Official Statement, it should be understood that while the Series 2003B Bonds are in book-entry only form, references in other sections of this Official Statement to Owners should be read to include the person for whom the Participants and Indirect Participants acquire an interest in the Series 2003B Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry only system as described more fully herein, and (ii) except as otherwise provided in the Indenture, notices that are to be given to Owners by the NMFA, the Trustee, the Registrar or the Paying Agent will be given only to DTC.

Redemption of the Series 2003B Bonds

The Series 2003B Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity. See "THE SERIES 2003B BONDS - Redemption of the Series 2003B Bonds."

Security and Sources of Payment for the Series 2003B Bonds

Special, Limited Obligations

The Series 2003B Bonds are special, limited obligations of the NMFA payable solely from the Trust Estate, which includes the Revenues described below and certain funds and accounts created and maintained pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS - Special, Limited Obligations."

Revenues

Revenues are defined by the General Indenture to mean: (i) all revenues received or earned by the NMFA from or attributable to the Loan Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned on and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund). All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement) will be deposited at least once each year in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Loan Agreement, provided, however, that all earnings received on the Governmental Units' Accounts will be allocated solely to the benefit of such Governmental Unit. For a description of the Loan Agreements, the NMFA Portion of the Governmental Gross Receipts Tax and the Additional Pledged Loans, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS - Revenues." For a description of the funds and accounts created by the Indenture see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS - Flow of Funds." See also "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

Additional Bonds

The NMFA maintains an ongoing program to provide loans and to purchase securities from Governmental Units and expects to finance those activities with the issuance of Additional Bonds on a parity with the Series 2003B Bonds. The timing, amount and other details of such parity bonds are not known as of the date of this Official Statement.

The NMFA must meet certain requirements prior to the issuance of Additional Bonds or other obligations with a lien on the Trust Estate on a parity with the lien of the Series 2003B Bonds. For a description of these requirements, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS - Additional Bonds." For a discussion of the outstanding parity bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS - Outstanding Parity Bonds." The NMFA may not issue bonds or other indebtedness payable with a priority senior to the lien on the Trust Estate of the Series 2003B Bonds without the written consent of 100% of the owners of Outstanding Series 2003B Bonds. The NMFA has issued, and may in the future issue, indebtedness having a lien on the Trust Estate subordinate to that of the Series 2003B Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS - Outstanding Subordinate Debt."

Continuing Disclosure

The NMFA has undertaken for the benefit of the Bond Owners that, so long as the Series 2003B Bonds remain outstanding, the NMFA will provide certain annual financial information with respect to the NMFA and any Governmental Unit whose repayment obligations to the NMFA will represent more than 5% of the estimated annual Revenues for any year during which the Series 2003B Bonds are outstanding to each nationally recognized municipal securities information repository and notice of certain material events to the Municipal Securities Rulemaking Board (the "MSRB") in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as described in "CONTINUING DISCLOSURE UNDERTAKING" herein.

Continuing disclosure undertakings previously entered into by NMFA called for it to file an annual report and audit with respect to the Fiscal Year ended June 30, 1997, no later than 270 days after the end of such fiscal year. In November 1998, the NMFA discovered that such report and audit had not yet been filed. On November 25, 1998, the NMFA notified the MSRB of its failure to file the report and audit and by December 15, 1998, such report and audit had been filed with the nationally recognized municipal securities information repositories (the "NRMSIRs"). The NMFA believes that it is now in compliance with its continuing disclosure undertakings.

Tax Considerations

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2003B Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

In the opinion of such Co-Bond Counsel, under existing laws of the State of New Mexico as currently enacted and construed, interest on the Series 2003B Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003B Bonds.

The form of opinion to be delivered by Ballard Spahr Andrews & Ingersoll, LLP, as Co-Bond Counsel to the NMFA, is included in Appendix E hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 2003B Bonds, see "TAX MATTERS" herein.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2003B Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel to the NMFA, will deliver its opinion included in Appendix E hereto and Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, will deliver its opinion discussed under "TAX MATTERS" and also included in Appendix E hereto. Certain legal matters relating to the Series 2003B Bonds will be passed upon for the Underwriters by their counsel, Brownstein Hyatt & Farber, P.C. Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. See "LEGAL MATTERS" herein. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with its issuance of the Series 2003B Bonds. See "EXPERTS" herein.

The NMFA's financial statements for the Fiscal Year ended June 30, 2002, included in Appendix A hereto, have been audited by Neff & Ricci, LLP, certified public accountants, Albuquerque, New Mexico. See also "FINANCIAL STATEMENTS" herein.

Offering and Delivery of the Series 2003B Bonds

The Series 2003B Bonds are offered when, as and if issued, subject to approval as to their legality by Co-Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each maturity of the Series 2003B Bonds will be delivered to DTC or its agent on or about June 5, 2003.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 409 St. Michael's Drive, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 2003B Bonds.

THE SERIES 2003B BONDS

Generally

Set forth below is a summary of certain provisions of the Series 2003B Bonds. Other information describing the Series 2003B Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Indenture and the Series 2003B Bonds. For a description of certain provisions of the Indenture, see "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto. Copies of the approved forms of the Indenture are available as provided in "ADDITIONAL INFORMATION" herein.

The Series 2003B Bonds are being issued pursuant to the Act, the Indenture, and a bond authorizing resolution adopted by the NMFA on April 22, 2003, and supplemented by a sale resolution adopted on May 22, 2003 in part to refund the NMFA's currently outstanding Public Project Revolving Fund Revenue Bonds, Series 1995A maturing on and after June 1, 2006 and Public Project Revolving Fund Revenue Bonds, Series 1996A (the "Series 1995A Refunded Bonds") maturing on and after June 1, 2007 (the "Series 1996A Refunded Bonds" and, together with the Series 1995 Refunded Bonds, the "Refunded Bonds"). See "THE PLAN OF FINANCING – Sources and Uses of Funds" herein. The Series 1995A Refunded Bonds were issued to reimburse the NMFA for loans and grants made to certain Governmental Units (the "1995 Governmental Units") under certain Loan Agreements and Grant Agreements and the Series 1996A Refunded Bonds were issued to reimburse the NMFA for loans and grants made to certain Governmental Units (the "1996 Governmental Units") under certain Loan Agreements and Grant Agreements, all as more particularly described herein as part of the NMFA's Public Project Revolving Fund Program. For a description of such program see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein.

Description of the Series 2003B Bonds

The Series 2003B Bonds are being issued pursuant to the Indenture and will be dated as of the Delivery Date. Interest on the Series 2003B Bonds will accrue from the Delivery Date of the Series 2003B Bonds at the rates set forth on the inside front cover page of this Official Statement (calculated on the basis of the 360-day year consisting of twelve 30-day months), and is payable on June 1 and December 1 of each year, commencing December 1, 2003. The Series 2003B Bonds will be issued in the aggregate principal amount and will mature on the dates and in the amounts shown on the inside front cover (unless redeemed prior to maturity). The Series 2003B Bonds are issuable in denominations of $5,000 or integral multiples thereof (the "Authorized Denominations").

Book-Entry Only System

The Depository Trust Company will act as securities depository for all of the Series 2003B Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount and maturity of the Series 2003B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2003B Bonds will be made in book-entry form only, and beneficial owners of the Series 2003B Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payment to DTC participants for subsequent disbursement to the beneficial owners of the Series 2003B Bonds. For a more complete description of the book-entry only system, see "BOOK-ENTRY ONLY SYSTEM" in Appendix F hereto.

Redemption of the Series 2003B Bonds

Generally

The Series 2003B Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as set forth below.

Optional Redemption by the NMFA

The Series 2003B Bonds maturing on or after June 1, 2014 are subject to optional redemption at any time on and after June 1, 2013, in whole or in part, in such order of maturity as may be selected by the NMFA and by lot within each maturity (if in part, in integral multiples of $5,000), at the option of the NMFA, upon notice as provided in the Indenture and at the redemption price of 100% of the principal amount of the Series 2003B Bonds to be redeemed, plus accrued interest to the redemption date, but without premium.

Mandatory Sinking Fund Redemption of the Series 2003B Term Bonds

The Series 2003B Bonds maturing June 1, 2021 are subject to mandatory sinking fund redemption on each of the dates set forth below, at a price equal to 100% of the principal amount of each Series 2003B Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2017	$100,000
2018	100,000
2019	105,000
2020	105,000
2021+	110,000+

+Final Maturity

If less than all of the Series 2003B Bonds maturing on June 1, 2021 then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA as follows: (i) if the Series 2003B Bonds are redeemed upon a Prepayment of all or a portion of a Loan Agreement, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments and (ii) if the Series 2003B Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

Notice of Redemption

In the event any of the Series 2003B Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2003B Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar at least 30 days, but not more than 60 days, prior to the date fixed for redemption.

In addition, further notice of any redemption of Series 2003B Bonds is to be given by the Trustee at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 2003B Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 2003B Bonds. Failure to give all or any portion of such further notice will not in any manner defeat the effectiveness of a call for redemption.

If at the time of mailing of any notice of redemption there are not on deposit with the Trustee moneys sufficient to redeem all the Series 2003B Bonds called for redemption, such notice is to state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date and that such notice will be of no effect unless such moneys are so deposited.

A second notice of redemption is to be given, not later than 90 days subsequent to the redemption date, to Registered Owners of Series 2003B Bonds or portions thereof redeemed but who failed to deliver Series 2003B Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed will be conclusively presumed to have been duly given, whether or not the owner of such Series 2003B Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 2003B Bonds.

Partially Redeemed Series 2003B Bonds

In case any Series 2003B Bond is redeemed in part, upon the presentation of such Series 2003B Bond for such partial redemption, the NMFA will execute and the Trustee will authenticate and deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the NMFA, a Series 2003B Bond or Series 2003B Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2003B Bond. A portion of any Series 2003B Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or an integral multiple thereof and, in selecting portions of such Series 2003B Bonds for redemption, the Trustee will treat each such Series 2003B Bond as representing that number of Series 2003B Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 2003B Bonds by $5,000.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS

Special, Limited Obligations

The Series 2003B Bonds are special, limited obligations of the NMFA payable solely from the Revenues, proceeds of the Series 2003B Bonds (until used as provided in the Indenture) and other moneys held in certain funds and accounts held by the Trustee under the Indenture (the "Trust Estate"). The Series 2003B Bonds do not constitute nor create a general obligation or other indebtedness of the State or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE NMFA HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2003B Bonds do not constitute or give rise to a pecuniary liability on the part of the directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit or taxing power of the State or any political subdivision of the State.

Revenues

Generally

Revenues include (i) all revenues received or earned by the NMFA from or attributable to the Loan Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the funds and accounts created under the Indenture (except the Rebate Fund). All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement) will be deposited at least once each year in the Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Loan Agreement, provided, however, that all earnings received on the Governmental Units' Accounts will be allocated solely to the benefit of such Governmental Unit. As discussed under "Flow of Funds" below, revenues received from a Governmental Unit by the Trustee on behalf of the NMFA pursuant to a Loan Agreement are deposited in a separate account of the Debt Service Fund established for that Governmental Unit and are periodically transferred by the Trustee to the Bond Fund and used to make debt service payments on the Bonds. All revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax and from any Additional Pledged Loans are transferred to the Trustee and deposited in the Revenue Fund. Moneys in the Revenue Fund are used each Bond Fund Year to pay debt service on the Bonds to the extent that moneys in the several accounts of the Debt Service Fund are insufficient and to pay debt service on the portions of the Bonds used to finance grants. At the end of each Bond Fund Year moneys in the

Revenue Fund in excess of the requirements for such moneys under the Indenture are transferred to the NMFA and deposited in the Subordinate Lien PPRF Revenue Fund. These monies are no longer part of the Trust Estate. For a more complete description of the funds and accounts into which Revenues are deposited, see "Flow of Funds" below under this caption, and "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE-Funds and Accounts" in Appendix B hereto. For a more complete description of the Subordinate Lien PPRF Revenue Fund see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS – Outstanding Subordinate Debt" herein.

The Agreements and the Agreement Pledged Revenues

Generally. The Agreements consist of Loan Agreements and Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of their respective projects by the NMFA. (Under the Indenture "Agreements" also includes Grant Agreements, however the Grant Agreements contain no repayment provisions.) Under each Loan Agreement or issue of Securities, the respective Governmental Unit pledges to the NMFA for payment of all amounts due under their respective Agreements (i) revenues of specific enterprise systems or revenues attributable to certain taxes (such pledged revenues the "Agreement Pledged Revenues") and (ii) moneys in certain funds and accounts held by the Trustee. Each Governmental Unit executing a Loan Agreement or issuing Securities agrees to promptly pay principal of and interest on its loan from its Agreement Pledged Revenues and to continue such payments until its loan is paid in full.

Agreement Reserve Fund. Pursuant to the Indenture, an Agreement Reserve Fund has been created which will be held by the Trustee. Within such fund currently are accounts relating to those Governmental Units having a repayment obligation to the NMFA pursuant to a Loan Agreement or Securities for which the NMFA determined to require such accounts. Amounts in a Governmental Unit's account of the Agreement Reserve Fund will be withdrawn by the Trustee and deposited into that Governmental Unit's account of the Debt Service Fund to the extent of any shortfall in payments by such Governmental Unit under its Loan Agreement or Securities and any associated Additional Pledged Loans. **Amounts in a Governmental Unit's account of the Agreement Reserve Fund will not be used to cover shortfalls in payments of other Governmental Units and will not otherwise be available to defray deficiencies in the Bond Fund.** See "PLAN OF FINANCING - Sources and Uses of Funds" herein and "Flow of Funds" below under this caption.

For a discussion of the separate reserve account established within the Revenue Fund see "Flow of Funds" below under this caption.

Agreements with Governmental Units. Each Governmental Unit which has entered into a Loan Agreement (or has issued Securities) has pledged specific Agreement Pledged Revenues to the repayment of its Loan. Financial information and operating data for the City of Albuquerque, New Mexico, the only Governmental Unit whose loan repayment obligation constitutes more than 5% of the estimated annual Revenues in any year when the Series 2003B Bonds are Outstanding, is set forth in Appendix D hereto. Financial information and operating data are not set forth for any other Governmental Unit.

No Obligation of Governmental Units to Cover Shortfalls. A Governmental Unit is not required to make up any Loan Payment not paid in full by another Governmental Unit or to make up any insufficiency in the NMFA Portion of the Governmental Gross Receipts Tax.

The Governmental Gross Receipts Tax

Generally. Pursuant to Section 7-1-6.38, NMSA 1978, the NMFA is allocated 75% of all net receipts of a governmental gross receipts tax which is levied and collected pursuant to Section 7-9-4.3, NMSA 1978. For purposes of this Official Statement, the 75% net receipts which is allocated to the NMFA is referred to as the "NMFA Portion of the Governmental Gross Receipts Tax." Under the Indenture, the NMFA Portion of the Governmental Gross Receipts Tax, and payments attributable to Additional Pledged Loans, if any, will be paid when received by NMFA to the Trustee and will be accounted for and maintained by the Trustee in the Revenue Fund created under the Indenture within the Public Project Revolving Fund and are available (i) to pay debt service on the Bonds to the extent Loan Payments paid by the Governmental Units pursuant to the Agreements are not sufficient to pay debt service when due and (ii) to pay debt service on the portions of the Bonds issued to fund Grants. See

"Flow of Funds" under this caption for additional information on the use of moneys in the Revenue Fund. See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Exhibit B hereto for certain information concerning the Revenue Fund and allocation of amounts therein to payment of principal and interest on the Bonds.

Pursuant to Section 7-9-4.3, NMSA 1978, the governmental gross receipts tax is imposed on the governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except school districts and certain health care entities.

Governmental gross receipts are defined in Section 7-9-3.2, NMSA 1978, as all receipts of the State of New Mexico or any agency, institution, instrumentality or public subdivision thereof except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services, from:

(a) the sale of tangible personal property other than water from facilities open to the general public;

(b) the performance of or admissions to recreational, athletic or entertainment services or events in facilities open to the general public;

(c) refuse collection, refuse disposal or both;

(d) sewage services; and

(e) the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the State of New Mexico.

The definition of governmental gross receipts includes receipts from the sale of tangible personal property handled on consignment when sold from facilities open to the general public, but excludes cash discounts taken and allowed, governmental gross receipts tax payable on transactions reportable for the period and any type of time-price differential.

The governmental gross receipts tax was enacted into law and first imposed in 1991. It is imposed at a rate of 5% on the governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services. In addition, the governmental gross receipts tax is not imposed on: (i) receipts from transactions involving tangible personal property or services on which the gross receipts tax, compensating tax, motor vehicle excise tax, gasoline tax, special fuel tax, special fuel excise tax, oil and gas emergency school tax, resources tax, processors tax, service tax, or the excise tax imposed under Section 66-12-6.1, NMSA 1978, is imposed; (ii) receipts from the sale of gas or electricity by a utility owned or operated by a county, municipality or other political subdivision or on receipts from operation of a cable television system owned or operated by a municipality, because those receipts are subject to the regular gross receipts tax under Section 7-9-13, NMSA 1978; (iii) receipts from selling livestock and receipts of growers, producers, trappers or nonprofit marketing associations from selling livestock, live poultry, unprocessed agricultural products, hides or pelts; or (iv) receipts from selling tickets, parking, souvenirs, concessions, programs, advertising, merchandise, corporate suites or boxes, broadcast revenues and all other products, services, or activities sold at, related to or occurring at a minor league baseball stadium on which a stadium surcharge is imposed pursuant to the Minor League Baseball Stadium Funding Act.

Deductions from the governmental gross receipts tax include: (i) certain receipts from selling tangible personal property to the United States or the State of New Mexico or any governmental unit or subdivision, agency, department or instrumentality thereof, (ii) receipts from selling tangible personal property to an Indian tribe, nation or pueblo or any governmental subdivision, agency, department or instrumentality thereof for use on Indian reservations or pueblo grants; (iii) certain receipts from the sale of tangible personal property to a person engaged in the business of manufacturing if the sale is made to a person who delivers a non-taxable transaction certificate to the seller; (iv) receipts from transactions in interstate commerce; (v) receipts from selling tangible personal property, licenses or a service for resale if the sale is made to a person who delivers a nontaxable transaction certificate to the seller; (vi) certain receipts from selling tangible personal property to entities exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended or renumbered, if the sale is made to an organization that delivers a nontaxable transaction certificate to the seller; (vii) refunds and allowances made to buyers or amounts written off the books as an uncollectible debt by a person reporting governmental gross receipts tax on an accrual basis; (viii) certain receipts from selling prosthetic devices if the sale is made to a person who is licensed to practice medicine, osteopathic medicine, dentistry, podiatry, optometry, chiropractic or professional nursing and who delivers a nontaxable transaction certificate to the seller; and (ix) receipts from the sale of prescription drugs.

Collection and Distribution Information. Governmental agencies are treated as taxpayers under the provisions of the Tax Administration Act, Section 7-1-1, *et seq.*, NMSA 1978, and are responsible for paying the governmental gross receipts tax to the New Mexico Taxation and Revenue Department in accordance with the State's Tax Administration Act. Collections are first deposited into a tax administration suspense fund for the purpose of making disbursements for refunds, among other things. On the last day of each month, the balance in the suspense fund is identified by tax source and distributed to the appropriate municipalities or state agencies, including the NMFA. Collection of governmental gross receipts tax is administered by the New Mexico Taxation and Revenue Department. Governmental gross receipts taxes are to be paid on or before the 25th day of the month following the month in which the taxable event occurs.

Set forth below is information from the New Mexico Taxation and Revenue Department concerning collections of the governmental gross receipts tax for the fiscal years 1997-1998 through 2001-2002. There can be no assurance that governmental gross receipts tax collections will continue to grow at historical rates or otherwise.

GOVERNMENTAL GROSS RECEIPTS TAXES COLLECTIONS
Fiscal Years 1997 - 1998 through 2001 - 2002

	Fiscal Year 1997-1998	Fiscal Year 1998-1999	Fiscal Year 1999-2000	Fiscal Year 2000-2001	Fiscal Year 2001-2002
Total Net Receipts	$16,978,976	$16,897,029	$19,372,893	$20,994,555	$20,616,433
NMFA Portion of the Governmental Gross Receipts Tax	$12,734,232	$12,672,772(1)	$14,529,670	$15,745,916	$15,462,325(2)

(1)The actual taxes collected for the NMFA by the New Mexico Taxation and Revenue Department were approximately $1.2 million higher than reported in the audited financial statements for the 1998-1999 fiscal year. The audited financial statements do not include this higher amount because this additional amount was not received by the NMFA within 60 days of its year end, and therefore not included as revenue in accordance with Generally Accepted Accounting Principles.

(2)The NMFA believes that the decrease in governmental gross receipts tax collections in fiscal year 2001-2002 is attributable to operational changes at the University of New Mexico. See footnote (1) to the following chart entitled "Eight Largest Payers of Governmental Gross Receipts Taxes Fiscal Years 1999-2000 through 2001-2002."

Set out below is information concerning the top eight payers of the governmental gross receipts tax for fiscal years 1999-2000 through 2001-2002. Such information is not publicly available from the State and has instead been obtained from each individual entity, and the NMFA does not guaranty the accuracy of any such information.

Eight Largest Payers of
Governmental Gross Receipts Taxes
Fiscal Years 1999-2000 through 2001-2002

	Fiscal Year 1999-2000		Fiscal Year 2000-2001		Fiscal Year 2001-2002	
Entity	Amount Paid	% of Total GGRT of All Entities in NM	Amount Paid	% of Total GGRT of All Entities in NM	Amount Paid	% of Total GGRT of All Entities in NM
City of Albuquerque	$6,679,102	34.48%	$7,292,312	34.73%	$7,349,606	33.60%
City of Santa Fe	1,847,947	9.54%	1,623,829	7.73%	1,716,437	7.85%
University of New Mexico	1,410,509	7.28%	1,535,237	7.31%	1,128,122(1)	5.16%
City of Las Cruces	925,253	4.78%	911,589	4.34%	936,567	4.28%
City of Farmington	637,007	3.29%	662,617	3.16%	691,010	3.16%
City of Rio Rancho	628,884	3.25%	612,096	2.92%	682,333	3.12%
City of Roswell	523,072	2.70%	530,539	2.53%	534,160	2.44%
County of Los Alamos	376,144	1.94%	372,289	1.77%	389,243	1.78%
City of Gallup	$249,716	N/A	N/A	N/A	344,436	1.53%
Total	$13,027,918	67.26%	$13,540,508	64.49%	$13,761,914	62.91%

(1)The University of New Mexico believes that a substantial portion of the decrease in governmental gross receipts tax collections in fiscal year 2001-2002 is attributable to 1) the outsourcing of vending services to a non-governmental entity which is not required to pay governmental gross receipts tax and 2) the restriction of access to its bookstore to enrolled students during certain time periods.

Source: Individual entities.

Additional Pledged Loans

Subject to the approval of the State Legislature, the NMFA may make loans from or purchase securities with available funds in the Public Project Revolving Fund. At its option, the NMFA may designate such loans or securities as Additional Pledged Loans (as hereinafter defined), and upon such designation, the principal and interest payments on such loans or securities become pledged by the NMFA to the payment of Bonds. See "Flow of Funds," below under this caption. For the total amount of outstanding Additional Pledged Loans, as hereinafter defined, see "THE PLAN OF FINANCING - Governmental Units and the 2003B Projects."

Flow of Funds

The Indenture creates a Revenue Fund, a Bond Fund, a Debt Service Fund with separate accounts for each Governmental Unit receiving a Loan, and an Agreement Reserve Fund with a separate account, if required, for each

Governmental Unit receiving a Loan that has a reserve requirement. The repayment obligations of those Governmental Units receiving Additional Pledged Loans who have also entered into Loan Agreements with or issued Securities purchased by the NMFA, payable from the same revenue source, are on parity with amounts due with respect to such Loan Agreements or Securities.

Flow of Funds Under General Indenture

All Loan Payments and other amounts paid by Governmental Units pursuant to the Loan Agreements and Securities are to be paid directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee prior to each Interest Payment Date, and the Trustee is to deposit all such payments immediately upon receipt thereof, as follows:

First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan.

Second: to the related Account, if any, in the Agreement Reserve Fund to the extent necessary to cause the balance in said Account to equal the Agreement Reserve Requirement, if any, of such Account.

Third: to the payment of Program Costs (to the extent allocable to such Agreement).

On the fifth day preceding a Loan Payment Date (or, if such fifth day is not a Business Day, on the Business Day next preceding such fifth day), if the amount on deposit in any Governmental Unit's Account of the Debt Service Fund is insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, the Trustee is to transfer from the related Agreement Reserve Account, if any, to that Governmental Unit's Account of the Debt Service Fund, an amount sufficient, together with amounts in such Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date.

On each Interest Payment Date for the Bonds, the Trustee is to transfer moneys in the respective Accounts of the Debt Service Fund to the Bond Fund to pay the interest on the related Bonds becoming due on such Interest Payment Date and to pay the principal of each related Bond due at maturity or by prior redemption, to the extent amounts are on deposit therein for such purpose. At least once each year, the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, if any, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and will return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or will credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided however, that with respect to Loans relating to the Series 1997 Bonds, the Series 1999 A-D Bonds, the Series 2000B-C Bonds, the Series 2002A Bonds, the Series 2003A Bonds or the Series 2003B Bonds any such excess will be distributed as follows: (a) any excess attributable to earnings on funds and accounts for a Governmental Unit will be returned to such Governmental Unit or will be credited to the Loan Payments next coming due under such Governmental Unit's Agreement and (b) any excess attributable to the difference in interest rates on such Governmental Unit's Loan and the Series 1997 Bonds, the Series 1999A-D Bonds, the Series 2000B-C Bonds, the Series 2002A Bonds, the Series 2003A Bonds and the Series 2003B Bonds, as applicable, shall be deposited into the Revenue Fund.

The above provisions, with respect to the flow of funds, do not apply to moneys provided pursuant to the 2000A Loan Agreement. For a description of the flow of funds with respect to the 2000A Loan Agreement, see "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Application of Loan Payments" in Appendix B hereto.

Revenue Fund

During each Bond Fund Year, all Revenues constituting receipts from the NMFA Portion of the Governmental Gross Receipts Tax and principal and interest payments from Additional Pledged Loans are to be paid by the NMFA to the Trustee prior to each Interest Payment Date and shall be accounted for and maintained by the Trustee in the Revenue Fund. On each Interest Payment Date, the Trustee (except as otherwise provided in a Supplemental Indenture) is to transfer from the Revenue Fund (including any amounts in the separate account described in the next paragraph) to the Bond Fund (i) an amount equal to the principal and interest due on such Interest Payment Date on the portion of any Bonds, the proceeds of which were used to make Grants and (ii) if the amounts on deposit in the Bond Fund are insufficient for payments coming due with respect to the Bonds on such Interest Payment Date, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the principal and interest due on the Bonds on such Interest Payment Date.

At the conclusion of each Bond Fund Year, the Trustee is to retain in the Revenue Fund, in a separate account to be created therein (to the extent of amounts remaining in the Revenue Fund), the following:

(i) an amount equal to any deficiency in any account in the Agreement Reserve Fund;

(ii) with respect to Agreements for which (A) no Agreement Reserve Account was created in the Agreement Reserve Fund and (B) a default in the payment of principal or interest under such Agreement has occurred and is continuing, an amount equal to the least of (x) 10% of the proceeds of such Agreement, (y) maximum annual debt service on such Agreement and (z) 1.25 times average annual debt service on such Agreement; and

(iii) with respect to Bonds issued to finance Grants and for which no other debt service reserve fund has been created, an amount equal to the least of (A) 5% of the proceeds of the Bonds issued to finance such Grant, (B) one-half of maximum annual debt service on the Bonds issued to finance such Grants and (c) .625 times average annual debt service on the Bonds issued to finance such Grant.

Pursuant to the Indenture, the NMFA is not required to contribute any amounts to fund the retention described in the preceding paragraph other than from amounts on deposit in the Revenue Fund at the end of each Bond Fund Year, and no default under the Indenture occurs solely by reason of any insufficiency of funds remaining in the Revenue Fund to fund such retention.

After making the foregoing deposits, at the conclusion of each Bond Fund Year, and after making the payments required by the Indenture during such Bond Fund Year, the Trustee is to transfer the balance on deposit in the Revenue Fund to the NMFA for deposit into the Subordinate Lien Revenue Fund. After the monies have been used for the purposes specified in the Subordinated General Indenture (hereinafter defined), the NMFA may use any remaining monies for:

(i) Public Project Revolving Fund purposes;

(ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund;

(iii) refinancing, refunding, purchasing or advance refunding of any Bonds; or

(iv) any other lawful purpose.

The balance so transferred to the NMFA and not deposited into the Bond Fund is no longer pledged to the payment of debt service on the Bonds.

Additional Bonds

Generally

Additional Bonds or other indebtedness, bonds or notes of the NMFA payable on a parity with the Bonds out of the Trust Estate may be issued or incurred, only if certain requirements have been met, including the following:

(a) NMFA must deliver to the Trustee a Cash Flow Statement, taking into account the issuance of the Additional Bonds or other indebtedness, bonds or notes. The requirements of the Cash Flow Statement are set forth under "Cash Flow Statement," below.

(b) All payments required by the Indenture to be made into the Bond Fund must have been made in full.

(c) The proceeds of the Additional Bonds or other indebtedness, bonds or notes must be used (i) to refund Bonds issued under the Indenture or other obligations of the NMFA (including the funding of necessary reserves and the payment of costs of issuance) or (ii) to make additional Loans or Grants or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance).

(d) No Event of Default has occurred and is continuing under the Indenture, except that the foregoing will not preclude the issuance of Additional Bonds or other indebtedness, bonds or notes if (i) the issuance of such Additional Bonds or other indebtedness, bonds or notes otherwise complies with the requirements of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of the Additional Bonds or other indebtedness, bonds or notes and the application of the proceeds thereof.

Any of the foregoing requirements may be revised or deleted with written evidence from the Rating Agency to the effect that such revision or deletion will not result in the rating on the Outstanding Bonds being lowered.

Cash Flow Statement

Pursuant to the Indenture, "Cash Flow Statement" means a certificate of the NMFA:

(a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate, the following:

(A) the amount of the NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(B) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(C) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding; and

(b) showing that in each such Bond Fund Year the aggregate of the amount set forth in clause (A) above divided by 1.35, plus the aggregate amount set forth in clause (B) above, exceeds 100% of the aggregate of the amounts set forth in clause (C) above. For purposes of the foregoing, the following assumptions apply:

(i) The NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year will be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period during the 24 months next preceding the delivery of the Cash Flow Statement;

(ii) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(iii) Loans and Additional Pledged Loans will be assumed to remain in their current category designations throughout the period projected in the Cash Flow Statement.

For purposes of the Indenture and the Cash Flow Statement, "Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

Category of Loans and Additional Pledged Loans	Applicable Percentages
Category I	100%
Category II	80%
Category III	50%
Category IV	0%

Category I Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the third highest full rating category or higher by the Rating Agency.

Category II Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

Category III Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

Category IV Loans and Additional Pledged Loans are all Non-Performing Loans and Additional Pledged Loans, Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been replenished in accordance with the related Agreement, and Loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agency.

"Non-Performing Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a covenant default) or under which a delinquency exists in payments of principal or interest thereunder.

"Rating Agency" means Moody's Investors Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

Pursuant to the Indenture, at the time of issuance of each series of Bonds, each of the Agreements executed in connection with such issuance is required to be submitted to the Rating Agency for assignment of a designation or rating or shall be designated in Category IV by the NMFA without submission to the Rating Agency. In addition, each Additional Pledged Loan is required to be submitted to the Rating Agency for assignment of a designation or a rating or shall be designated in Category IV by NMFA without submission to the Rating Agency. At any time (including upon issuance of Additional Bonds), the category assigned to an Agreement or to Additional Pledged Loans may be revised by the Rating Agency.

Of the Agreements submitted to the Rating Agency to date (excluding the 2003 Loan Agreements), \$67.2 million have been designated Category I, \$54.5 million have been designated Category II and \$5.5 million have been designated Category III.

The formula described above may also be summarized as follows (where A = NMFA Portion of Governmental Gross Receipts Tax, B = Assumed Repayments of Loans and Additional Pledged Loans and C = Aggregate Annual Debt Service on all Bonds Outstanding):

$$(A \div 1.35) + B > C$$

No Senior Lien Obligation

No additional indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of the Revenues for payment of the Bonds will be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds.

Additional Parity Obligations of Governmental Units

For a description of the restrictions, if any, governing the issuance by certain other Governmental Units of additional parity obligations, see "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D to the 1995 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENTAL UNITS" in Appendix D to the 1996 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1997 GOVERNMENTAL UNITS" in Appendix D to the 1997 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1999 GOVERNMENTAL UNITS" in Appendix D to the 1999 Official Statement, "CERTAIN INFORMATION CONCERNING THE COUNTY" in Appendix D to the 2000A Official Statement, "CERTAIN INFORMATION CONCERNING THE 2000B-C GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES" in Appendix D to the 2000B-C Official Statement, and "CERTAIN INFORMATION CONCERNING THE 2002A GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES" in Appendix D to the 2002A Official Statement, and CERTAIN INFORMATION CONCERNING THE GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES" in Appendix D to the 2003A Official Statement, each of which is on file with the MSRB.

Planned Amendment of General Indenture

The NMFA plans to amend and restate the General Indenture in the near future. Such amendment would, among other things, permit the NMFA to issue variable rate bonds and enter into interst rate swaps and other investment vehicles. The NMFA will not need to obtain bondholder consent for such modifications. However, holders of the Series 2003 B Bonds will be subject to such changes.

Outstanding Parity Bonds

The following series of Public Project Revolving Fund Revenue Bonds are currently outstanding.

Series	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of May 1, 2003
1995A	$41,230,000	$15,975,000 (1)(2)
1996A	17,625,000	14,155,000 (3)
1997	8,585,000	7,015,000
1999A	13,135,000	10,735,000
1999B	3,025,000	2,000,000
Taxable 1999C	2,265,000	1,675,000
Taxable 1999D	4,875,000	3,860,000
2000A	4,715,000	3,760,000
2000B	7,670,000	7,085,000
2000C	28,850,000	16,340,000
2002A	55,610,000	53,565,000
2003A	39,945,000	39,945,000
TOTAL	$231,030,000	$176,110,000

(1) Excludes defeased principal amount.
(2) Includes $13,230,000 aggregate principal amount being refunded with proceeds of the Series 2003B Bonds.
(3) Includes $11,230,000 aggregate principal amount being refunded with proceeds of the Series 2003B Bonds.

Upon the issuance of the Series 2003B Bonds, there will be $2,745,000 aggregate principal amount of Series 1995A Bonds Outstanding under the Indenture (the "Outstanding Series 1995A Bonds") and $2,925,000 aggregate principal amount of Series 1996A Bonds Outstanding under the Indenture (the "Outstanding Series 1996A Bonds").

Upon issuance of the Series 2003B Bonds and the refunding of the Refunded Bonds, the Outstanding Series 1995A Bonds, the Outstanding Series 1996A Bonds, the Series 1997 Bonds, the Series 1999A Bonds, the Series 1999B Bonds, the Taxable Series 1999C Bonds, the Taxable Series 1999D Bonds, the Series 2000A Bonds, the Series 2000B-C Bonds, the Series 2002A Bonds and the Series 2003A Bonds are the only Outstanding Parity Bonds of the NMFA (collectively the "Outstanding Parity Bonds"). See "ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE RATIOS" for Debt Service Requirements on the Outstanding Parity Bonds and aggregate payments under Agreements relating to the Bonds. See "THE PLAN OF FINANCING- Governmental Units and the 2003B Projects" for a listing of the ten Governmental Units comprising the highest percentage of estimated annual revenues.

Outstanding Subordinate Debt

Also outstanding are the NMFA's $24,900,000 Court Facilities Fee Revenue Bonds, Series 2002, $21,600,000 Court Facilities Fee Revenue Bonds, Series 2001A and $11,400,000 Taxable Court Facilities Fee Revenue Bonds, Series 2001B (collectively, the "Court Facilities Fee Revenue Bonds"), secured by (i) a portion of certain docketing fees and costs imposed and collected by certain courts in the State, certain fees and assessments collected in connection with motor vehicle and other violations, and certain parking fees, rents and other charges collected by the Bernalillo County Metropolitan Court from tenants and users of the parking facility after deduction of certain costs associated therewith which moneys are to be deposited in the Court Facilities Fund and (ii) amounts on deposit in the Subordinate Lien PPRF Revenue Fund, created pursuant to the Subordinated General Indenture of Trust and Pledge dated as of August 1, 2001 as supplemented by a First Supplemental Indenture dated as of August 1, 2001 and a Second Supplemental Indenture of Trust dated as of September 1, 2002 (collectively, the "Subordinated General Indenture"), between the NMFA and Bank of Albuquerque, N.A., as successor trustee.

The Subordinate Lien PPRF Revenues consists of those monies released to the NMFA from the Revenue Fund created pursuant to the Indenture on June 1 of each year. Pursuant to the Subordinated General Indenture, all such released moneys are to be deposited into the Subordinate Lien PPRF Revenue Fund created by the Subordinated General Indenture and are included in Subordinate Lien PPRF Revenues. Moneys in the Subordinate Lien PPRF Revenue Fund are available to pay on a parity basis debt service on Subordinate PPRF Bonds issued pursuant to the Subordinated General Indenture and on other obligations issued or incurred payable from and constituting a lien upon the Subordinate Lien PPRF Revenues (the "PPRF Secured Obligations"). The Court Facilities Fee Revenue Bonds are PPRF Secured Obligations. The NMFA may also issue additional bonds under the Subordinated General Indenture. The timing, amount and other details of any additional subordinate bonds have not been determined.

Supplemental Indentures and Amendments to Loan Agreements; Rating Agency Discretion

Pursuant to the Indenture, the NMFA and the Trustee may, without the consent of or notice to any of the Owners of the Bonds, enter into an indenture or indentures supplemental to the Indenture in order to make certain amendments or changes to the Indenture, including any amendment with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds, following such amendment, being lower than the rating on the Bonds immediately prior to such amendment. See "APPENDIX B - EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto.

In addition, the NMFA with the consent of the Trustee and the related Governmental Unit may, without the consent of any Owners of the Bonds, amend any Agreement for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred in the Indenture to the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained in any agreement or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgment of the Trustee will not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

BOND INSURANCE

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix G for a specimen of the Series 2003B Bond Insurance Policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the NMFA to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2003B Bonds as such payments become due but will not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy will be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2003B Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at the time be payable with respect to any Series 2003B Bond. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2003B Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against non payment of principal or of interest on the Series 2003B Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 2003B Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Series 2003B Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2003B Bonds or presentment of such other proof of ownership of the Series 2003B Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2003B Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2003B Bonds in any legal proceeding related to payment of insured amounts on the Series 2003B Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association will disburse to such owners or the Paying Agent payment of the insured amounts due on such Series 2003B Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under this heading. Additionally, MBIA makes no representation regarding the Series 2003B Bonds or the advisability of investing in the Series 2003B Bonds.

The Series 2003B Bond Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for year ended December 31, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Series 2003B Bonds offered hereby will be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, will be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 2002, June 30,2002 and September 30, 2002), are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, MBIA had admitted assets of $8.5 billion (audited), total liabilities of $5.6 billion (audited), and total capital and surplus of $2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2002, MBIA had admitted assets of $9.2 billion (audited), total liabilities of $6.0 billion (audited), and total capital and surplus of $3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Moody's rates the financial strength of MBIA "Aaa."

Standard & Poor's rates the financial strength of MBIA "AAA."

Fitch rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2003B Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2003B Bonds. MBIA does not guaranty the market price of the Series 2003B Bonds nor does it guaranty that the ratings on the Series 2003B Bonds will not be revised or withdrawn.

THE PLAN OF FINANCING

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series 2003B Bonds are set forth in the following tables.

Sources and Uses of Funds

SOURCES:	
Series 2003B Bond Par Amount	$25,370,000.00
Reoffering Premium	2,096,806.60
TOTAL SOURCES:	$27,466,806.60
USES:	
Deposit to Escrow to Refund the Refunded Bonds	$26,948,989.10
Costs of Issuance (1)	517,817.50
TOTAL USES:	$27,466,806.60

(1) Includes legal and accounting fees, financial advisory fees, printing, rating fees, Underwriters' discount, insurance premium and other miscellaneous costs. See "UNDERWRITING" herein.

Plan of Refunding

A portion of the proceeds of the Series 2003B Bonds will be used, together with other available funds of the NMFA, to provide the funds required to refund and defease the Refunded Bonds. The principal and interest on the Refunded Bonds will be paid from the Escrow Fund established pursuant to an Escrow Agreement dated as of May 1, 2003 (the "Escrow Agreement") between the NMFA and Bank of Albuquerque, N.A., as escrow agent (the "Escrow Agent"). The Refunded Bonds are being refunded in order to achieve a debt service savings. The principal amount of the Refunded Bonds currently outstanding is $24,460,000.

Pursuant to the terms of the Escrow Agreement, the refunding will be accomplished by creating an irrevocable escrow fund for the Refunded Bonds (the "Escrow Fund") to be held by the Escrow Agent and depositing into the Escrow Fund cash or securities in an amount sufficient, without reinvestment, to pay (i) on June 1, 2006 (the "Series 1995A Redemption Date"), in the case of the Series 1995A Refunded Bonds, and on June 1, 2007 (the "Series 1996A Redemption Date"), in the case of the Series 1996A Refunded Bonds, the principal and accrued interest due and payable according to the stated terms of the Refunded Bonds, (ii) interest due and payable on the Series 1995A Refunded Bonds in accordance with their terms until the Series 1995A Redemption Date, and (iii) interest due and payable on the Series 1996A Refunded Bonds in accordance with their terms until the Series 1996A Redemption Date.

Money on deposit with the Escrow Agent may be invested in certain noncallable Government Obligations the maturities or redemption dates of which will coincide as nearly as practicable with, but not later than, the date or dates at which the money will be required to pay the Refunded Bonds. All money and Government Obligations on deposit with the Escrow Agent, including investment income thereon, are pledged solely and irrevocably for the benefit of the holders of the Refunded Bonds (except that funds not needed to pay principal of and interest and premium on the Refunded Bonds may be released as provided in the Escrow Agreement).

Governmental Units and 2003B Projects

Governmental Units

The following table lists the Governmental Units whose Projects are being refinanced in part from the proceeds of the 2003B Bonds (excluding loans to the City of Santa Fe, which has been defeased in full):

The 2003 Governmental Units and the 2003 Projects

Governmental Unit	Project	Original Loan Amount	Loan Amount Outstanding as of May 1, 2003
State of New Mexico Energy Minerals and Natural Resources Department, Parks and Recreation Division	Park System Capital Projects	$7,563,000	$5,546,007
State of New Mexico Environment Department	Local Government Solid Waste Systems Grants	(Grant)	(Grant)
	Local Government Solid Waste Systems Loans	12,500,000	9,445,000
	Local Government Water and Waste Water System Improvement Loans	5,000,000	3,585,000
City of Las Vegas	Solid Waste Transfer Facility	929,500	666,400
City of Las Vegas	Water Treatment Plant Improvements	4,680,500	3,334,001
Northwest New Mexico Regional Solid Waste Authority and the County of Cibola, City of Gallup, City of Grants, County of McKinley and Village of Milan	Study and Implementation of Landfill and Recycling Facilities	8,125,500	5,993,068
Central Solid Waste Authority and the City of Belen, Village of Bosque Farms, Village of Los Lunas and Village of Magdalena	Develop a Regional Solid Waste Collection, Transfer and Disposal System	1,794,445	1,520,729
TOTAL		$40,592,945	$30,090,205

Generally

The following table lists the ten Governmental Units comprising the highest percentage of estimated annual Revenues that have entered into Agreements with the NMFA for Projects that have been financed with Bonds. The NMFA has $176,110,000 (as of May 1, 2003) of Parity Bonds outstanding and, upon issuance, will have $27,105,000 of Series 2003B Bonds outstanding.

Currently Outstanding Obligations of the Ten Governmental Units Comprising the Highest Percentage of Estimated Annual Pledged Revenues

Borrower	FY 2004 Debt Service[(1)]	% of FY 2002 Pledged Revenues	Final Maturity
City of Albuquerque	$2,329,985	5.97%	2014
Energy, Minerals and Natural Resources Dept.	1,772,016	4.54%	2020
Gallup-McKinley Schools	1,650,738	4.23%	2023
NW Solid Waste	882,487	2.26%	2018
Eddy County	848,247	2.17%	2007
Valencia County	692,848	1.78%	2009
Roosevelt County	565,958	1.45%	2020
Cibola County	563,011	1.44%	2032
Chaves County	533,416	1.37%	2012
City of Las Vegas	423,746	1.35%	2015

[(1)]First year in which all Borrowers make full debt service payments.

Source: Western Financial Group, LLC; New Mexico Finance Authority.

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service (excluding any mandatory prior redemption from prepayments on loans) payable for the Series 2003B Bonds for each fiscal year through their final maturity date.

Debt Service for the Series 2003B Bonds

Fiscal Year	Principal[1]	Interest[2]	Annual Debt Service Requirements
2003	0	0	0
2004	295,000	1,024,751	1,319,751
2005	290,000	1,030,365	1,320,365
2006	1,240,000	1,024,565	2,264,565
2007	2,075,000	999,765	3,074,765
2008	2,130,000	947,890	3,077,890
2009	2,195,000	872,140	3,067,140
2010	2,280,000	791,290	3,071,290
2011	2,370,000	697,890	3,067,890
2012	2,475,000	584,940	3,059,940
2013	2,605,000	468,315	3,073,315
2014	2,725,000	347,140	3,072,140
2015	2,855,000	210,890	3,065,890
2016	1,315,000	68,140	1,383,140
2017	100,000	20,800	120,800
2018	100,000	16,800	116,800
2019	105,000	12,800	117,800
2020	105,000	8,600	113,600
2021	110,000	4,400	114,400
TOTAL	25,370,000	9,131,481	34,501,481

[1] Payable on June 1 of each year. Includes mandatory sinking fund payments.
[2] Payable on June 1 and December 1, commencing December 1, 2003.
Source: Western Financial Group, LLC

The following table shows estimated available Revenues, total debt service requirements for the Series 2003B Bonds and the Outstanding Parity Bonds and the resulting estimated annual coverage ratios. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

Projected Annual Debt Service Requirements and Coverage Ratios

Fiscal Year	Fiscal Year 2001-2002 Collections of NMFA Portion of Gov'tl Gross Receipts Tax [1]	Aggregate Payments Under Agreements [2][3]	Additional Pledged Loan Payments [4]	Estimated Total Revenues	Total Debt Service Requirements for the 2003B Bonds	Total Debt Service Requirements for the Outstanding Parity Bonds[5][6]	Total Debt Service Requirements for the 2003B and Outstanding Parity Bonds[6]	Estimated Annual Coverage Ratios[7]
2003	$15,462,325	$18,437,386	$7,776,606	$41,676,317		17,895,940	$17,895,940	2.33
2004	15,462,325	18,380,668	4,693,054	38,536,047	$1,319,751	19,239,430	20,559,181	1.87
2005	15,462,325	17,758,290	4,449,671	37,670,286	1,320,365	18,276,577	19,596,942	1.92
2006	15,462,325	17,602,230	3,834,081	36,898,636	2,264,565	17,513,299	19,777,864	1.87
2007	15,462,325	17,094,165	3,591,993	36,148,483	3,074,765	16,653,901	19,728,666	1.83
2008	15,462,325	15,728,026	3,520,820	34,711,171	3,077,890	16,238,061	19,315,951	1.80
2009	15,462,325	14,737,649	3,505,782	33,705,756	3,067,140	15,389,697	18,456,837	1.83
2010	15,462,325	12,513,647	3,342,818	31,318,790	3,071,290	13,124,522	46,195,812	1.93
2011	15,462,325	12,498,118	3,545,808	31,506,251	3,067,890	13,353,744	16,421,634	1.92
2012	15,462,325	10,979,606	3,051,881	29,493,812	3,059,940	11,504,936	14,564,876	2.02
2013	15,462,325	8,776,301	2,788,452	27,027,078	3,073,315	9,285,861	12,359,176	2.19
2014	15,462,325	7,960,669	2,854,697	26,277,691	3,072,140	8,639,572	11,711,712	2.24
2015	15,462,325	7,909,418	3,350,542	26,722,285	3,065,890	9,069,456	12,135,346	2.20
2016	15,462,325	5,839,242	2,316,096	23,617,663	1,383,140	7,974,368	9,357,508	2.52
2017	15,462,325	4,029,710	2,022,303	21,514,338	120,800	7,204,401	7,325,201	2.94
2018	15,462,325	3,413,686	1,678,242	20,554,253	116,800	6,302,329	6,419,129	3.20
2019	15,462,325	2,445,692	1,688,558	19,596,575	117,800	5,135,273	5,253,073	3.73
2020	15,462,325	2,266,208	1,603,047	19,331,580	113,600	5,407,624	5,521,224	3.50
2021	15,462,325	845,722	1,415,444	17,723,491	114,400	3,856,600	3,971,000	4.46
2022	15,462,325	332,500	1,440,810	17,235,635		3,487,347	3,487,347	4.94
2023	15,462,325	334,500	1,183,174	16,979,999		3,247,583	3,247,583	5.23
2024	15,462,325	335,750	1,205,474	17,003,549		2,116,371	2,116,371	8.03
2025	15,462,325	336,250	1,066,885	16,865,460		927,585	927,585	18.18
2026	15,462,325	336,000	1,094,122	16,892,447		928,337	928,337	18.20

Fiscal Year	Fiscal Year 2001-2002 Collections of NMFA Portion of Gov'tl Gross Receipts Tax [1]	Aggregate Payments Under Agreements [2] [3]	Additional Pledged Loan Payments [4]	Estimated Total Revenues	Total Debt Service Requirements for the 2003B Bonds	Total Debt Service Requirements for the Outstanding Parity Bonds[5][6]	Total Debt Service Requirements for the 2003B and Outstanding Parity Bonds[6]	Estimated Annual Coverage Ratios[7]
2027	15,462,325	0	1,123,252	16,585,577		594,342	594,342	27.91
2028	15,462,325	0	570,775	16,033,100		515,255	515,255	31.12
2029	15,462,325	0	571,952	16,034,277		516,875	516,875	31.02
2030	15,462,325	0	573,193	16,035,518		518,497	518,497	30.93
2031	15,462,325	0	574,497	16,036,822		519,075	519,075	30.89
2032	15,462,325	0	532,632	15,994,957		520,607	520,607	30.72

(1) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS-Revenues-The Governmental Gross Receipts Tax." Future collections of the NMFA Portion of the Governmental Gross Receipts Tax are based on fiscal year 2001-2002 collections provided by the NMFA and are subject to change.

(2) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS -Revenues -The Agreements and the Agreement Pledged Revenues." Includes Agreements entered into in connection with the Outstanding Parity Bonds.

(3) The City of Santa Fe advance refunded its Loan and will prepay its obligations in full on the optional redemption date in Fiscal Year 2005. The calculations in this column do not include Prepayment of Loan by City of Santa Fe in Fiscal Year 2005.

(4) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS-Revenues-Additional Pledged Loans." Includes outstanding Additional Pledged Loans.

(5) Does not include the NMFA's Court Facilities Fee Revenue Bonds.

(6) Excludes debt service on the Refunded Bonds.

(7) The Estimated Annual Coverage Ratios are calculated using fiscal year 2001-2002 governmental gross receipts tax collections provided by the NMFA and are subject to change.

Source: New Mexico Finance Authority

NEW MEXICO FINANCE AUTHORITY

Generally

The NMFA is a public body politic and corporate and governmental instrumentality of the State. It was created in 1992 pursuant to the New Mexico Finance Authority Act (the "NMFA Act") for the purpose of coordinating the planning and financing of State and local public projects, to provide for long-term planning and assessment of State and local capital needs and to improve cooperation among the executive and legislative branches of State government and local governments in financing public projects. Pursuant to the NMFA Act, the NMFA and its corporate existence will continue until terminated by law, provided that no such law will take effect so long as the NMFA has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The NMFA is governed by a board of directors and currently employs seventeen persons.

Powers

Pursuant to the NMFA Act, the NMFA is granted all powers necessary and appropriate to carry out and effectuate its public and corporate purposes, including but not limited to the following powers: to sue or be sued; to adopt, subject to the review and approval of the NMFA oversight committee, such regulations as are necessary and appropriate to implement the provisions of the NMFA Act; to make, enter into and enforce all contracts, agreements and other instruments necessary, convenient or desirable in the exercise of its powers and functions and for the purposes of the NMFA Act; to acquire, construct, hold, improve, mortgage, sell, lease, convey or dispose of real and personal property for its public purposes; to make loans and purchase securities and contract to make loans and purchase securities; to make grants from the Water and Wastewater Project Grant Fund and Water and Wastewater Planning Fund to qualified entities to finance public projects; to procure insurance to secure payment on any loan, lease or purchase payments owed to the NMFA by a qualified entity in such amounts and from such insurers, including the federal government, as it may deem necessary or desirable, and to pay any premiums for such insurance; to fix, revise from time to time, charge and collect fees and other charges in connection with the making of loans and any other services rendered by the NMFA; and to borrow money and to issue bonds.

Organization and Governance

The NMFA's governing body, the Board of Directors of the NMFA, is composed of 12 members, seven of which are ex-officio members designated in the NMFA Act and five of which are appointed by the Governor with the advice and consent of the State senate. The seven designated members include five ex-officio State officials, of which four are cabinet-level secretaries (the secretary of finance and administration, the secretary of economic development, the secretary of energy, minerals and natural resources, and the secretary of environment), and one is a State agency official (the State investment officer), and two are the chief executives of state-wide associations (the executive director of the New Mexico Municipal League and the executive director of the New Mexico Association of Counties). One of the five members appointed by the Governor must be the chief financial officer of a State higher educational institution and the remaining four members appointed by the Governor are members of the public. Each of the appointed members of the NMFA serve staggered four-year terms, so that the term of at least one member expires on January 1 of each year. Vacancies are filled by appointment for the remainder of the unexpired term. Any member is eligible for reappointment.

The NMFA Act also provides for the creation of a legislative oversight committee, whose membership is determined by the State Legislative Council. The oversight committee is required to monitor and oversee the operation of the NMFA, and in that connection it: meets on a regular basis to receive and review reports from the NMFA on implementation of the provisions of the Act and to review and approve regulations proposed for adoption; monitors and provides assistance and advice on the public project financing program of the NMFA; oversees and monitors State and local government capital planning and financing; provides advice and assistance to the NMFA and cooperates with the executive branch of State government and local governments on planning, setting priorities for and financing of State and local capital projects; undertakes an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing State and local government capital financing in the State; and reports its findings and recommendations, including recommended legislation or necessary changes, to the Governor and to each session of the legislature. The report and proposed legislation is required to be made available on or before December 15 each year.

Governing Body and Staff Members

Current members of the Board of Directors of the NMFA, and their respective occupations, are set out below:

Name	Occupation	Term Expires
Gary Bland [(1)]	State Investment Officer, State Investment Council	not applicable
Ron Curry [(1)]	Secretary, Environment Department, State of New Mexico	not applicable
Stephen R. Flance [(2)] (Chairman)	Owner/CEO, The Flance Company	12/31/05
William Fulginiti [(1)] (Vice-Chairman)	Director, New Mexico Municipal League	not applicable
Randy Harris [(2)]	President and CEO, Bank of Clovis	12/31/04
Rick Homans [(1)]	Secretary, Economic Development Department, State of New Mexico	not applicable
James Jimenez [(1)]	Secretary, Department of Finance and Administration, State of New Mexico	not applicable
James L. McDonough [(2)]	Chief Financial Officer, New Mexico State University	12/31/07
Samuel O. Montoya [(1)] (Secretary)	Executive Director, New Mexico Association of Counties	not applicable
Joanna Prukop [(1)]	Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Craig Reeves [(2)]	President, First National Bank of New Mexico	12/31/03
David Stone [(2)]	President, Portales National Bank	12/31/03

[(1)]Ex-Officio Member.
[(2)]Appointed by the Governor of the State.

Set out below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 2003B Bonds and the administration of the NMFA's financing programs.

David W. Harris, Executive Director. Mr. Harris assumed the Executive Director's role in May, 2003 after completing a one-year assignment with Governor Bill Richardson, first as a Fiscal Policy Analyst in the Governor's campaign and later as Deputy Chief of Staff in the Governor's Office. Prior to that, Harris completed a twenty-seven year career of public service in New Mexico primarily concentrated in management and public finance. Mr.

Harris is the only New Mexican to have served as director of the Legislative Finance Committee and as Secretary of the Department of Finance and Administration. Mr. Harris earned a BBA from Eastern New Mexico University and is a lifelong resident of New Mexico. Of note, Mr. Harris is a recipient of the New Mexico Distinguished Public Service Award and the Outstanding Alumnus Award from his alma mater.

Keith H. Mellor, Controller. Mr. Mellor joined the NMFA in November 1995. Before coming to the NMFA Mr. Mellor was controller for the Los Alamos Credit Union. He brings with him an extensive background in controllership, investment portfolio management, governmental auditing and accounting. His responsibilities include design, implementation, and maintenance of financial controls, reporting systems and investment strategies. Prior to serving at the Los Alamos Credit Union, Mr. Mellor was CFO/Controller for CNS, Inc., a systems engineering and integration firm. Mr. Mellor holds B. S. in accounting from Metro State College, Denver, Colorado. He holds a Certified Public Accountant's license in the State of Colorado.

Marquita Russel, Chief of Programs. Ms. Russel joined the NMFA in September 2000. Ms. Russel has 15 years of experience in the financial services industry in both marketing and financial analysis. Prior to joining the NMFA, Ms. Russel spent 10 years at the Illinois Development Finance Authority where she held the positions of Marketing Director and Senior Program Administrator. During that time, Ms. Russel closed more than $1 billion of transactions, ranging from $5,000 microloans to $175 million tax exempt hospital bonds. Ms. Russel earned her bachelor's degree from Marquette University, Milwaukee, Wisconsin.

The NMFA staff provides a full range of services to its borrowers and other parties benefiting from or otherwise interested in the NMFA's financing programs. Those services include loan servicing and program fund administration, financial analysis relating to all aspects of the NMFA's programs, accounting, program marketing and development services, application assistance to borrowers, coordination and assistance with other funding sources, coordination with taxing and regulatory authorities, and coordination with various legislative authorities.

The Public Project Revolving Fund Program

The Public Project Revolving Fund Program of the NMFA is authorized by the NMFA Act and was created to fulfill the duty of the NMFA to develop and administer a program to assist qualified entities, individually or jointly, in financing all types of projects of a long-term capital nature, including but not limited to buildings and furnishings, water systems, water rights, sewerage and waste disposal systems, solid waste disposal systems, land, streets, airports, municipal utilities, parking facilities and capital equipment. To implement the Public Project Revolving Fund Program, the NMFA has been granted the following specific powers: to make loans to qualified entities that establish one or more dedicated sources of revenue to repay the loan from the NMFA; to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the NMFA or pertaining to (i) a loan to a qualified entity, (ii) a grant to a qualified entity, (iii) a purchase or sale of securities individually or on a pooled basis, or (iv) the performance of its duties and execution of any of its powers under the Act; to purchase, hold or sell securities; to charge for its costs and services in review or consideration of a proposed loan to a qualified entity or purchase by the NMFA of securities; in connection with the purchase of any securities, to consider the ability of the qualified entity to secure financing from other sources and the costs of that financing and the particular public project or purpose to be financed or refinanced with the proceeds of the securities to be purchased by the NMFA; and to acquire and hold title to or leasehold interest in real and personal property and to sell, convey or lease that property for the purpose of satisfying a default or enforcing the provisions of a loan agreement.

Other NMFA Programs and Projects

The NMFA participates in several other programs designed to provide financing for equipment and projects to both municipal and state agencies. These projects are funded by various sources and do not have a lien or claim of any type on the Pledged Revenues that secure the Series 2003B Bonds.

Workers' Compensation Administration Building Financing

In 1993 and 1994, the New Mexico Legislature authorized the NMFA to sell a total of $6 million in revenue bonds for the acquisition of land and site improvement, planning, designing, constructing, equipping and furnishing of a state office for the Workers' Compensation Administration ("WCA"). The Legislature also provided that the first forty cents ($.40) of each quarterly four dollar ($4) of Workers' Compensation assessment paid to the State would be pledged to the NMFA for payment of the revenue bonds associated with the WCA project. In July 1995, the NMFA publicly sold $2.5 million of its revenue obligations to provide funds for the acquisition of land and the construction and equipping of an office building in Albuquerque. In July 1996, the NMFA sold $4.31 million in long-term bonds to retire the outstanding bonds and to finance construction of the Workers' Compensation Administration Building.

UNM Cancer Research Center

In 1993, the New Mexico Legislature authorized the NMFA to issue revenue bonds payable from a portion of the net cigarette tax receipts collected by the State and distributed to the NMFA. The NMFA issued such revenue bonds in an aggregate principal amount of $6,000,000 in July 1996. The proceeds of the bonds were used to design, construct, equip and furnish an addition to the University of New Mexico Cancer Center.

Primary Care Capital Fund

In 1994, a $5 million revolving fund was created in the State treasury from which to provide loans and other financial assistance to rural primary care health clinics. The legislation establishing the fund directed NMFA to administer the revolving fund, and to assume responsibility for all financial duties related to the program. The New Mexico Health Department and the NMFA have negotiated a joint powers agreement whereby the Health Department will provide all required health-related services and the NMFA will administer the revolving fund. In September 1994, later amended in April 1998, the NMFA and the Health Department have adopted and periodically updated program operation rules to govern the financing of the repair, renovation or construction of primary care clinics in underserved areas of the State. The NMFA has funded thirteen loans totaling approximately $5.7 million.

Administrative Office of the Courts Financing

The 1996 and 1999 Legislatures authorized the NMFA to issue revenue bonds in an amount not to exceed $12 million for the purpose of financing acquisition of court automation systems for the State court system and development of statewide appellate automation, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. $8.5 million in bonds were sold in 1996 with an additional $3.5 million in bonds sold in 1999. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the State, and a portion of certain costs and penalty assessments to be collected upon conviction of persons of violating any provision of the Motor Vehicle Code involving the operation of a motor vehicle. The 1996 and 1999 Bonds were defeased on June 1, 2001.

Insurance Department Financing

The 1996 Legislature authorized the NMFA to issue revenue bonds in an amount not to exceed $1.0 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance. The Legislature imposed a three dollar ($3) surcharge on the annual continuation of appointment fees on the approximately 60,000 insurance agents subject to the fees to provide security for the bonds. The NMFA issued $525,000 privately placed bonds in 1996 and an additional $200,000 privately placed bonds in 1999.

Tax and Revenue Information Management Information System ("TRIMS Project")

In 1997 the New Mexico Legislature authorized the NMFA to sell up to $33,709,800 of bonds for the purpose of financing the New Mexico Taxation and Revenue Department (the "NMTRD") information management systems project (the "TRIMS Project"). The TRIMS Project is an integration and updating of on-line, multi-user systems that process taxation, motor vehicle tax and fee collections, revenue distributions and information processing by the NMTRD, which is responsible for collecting revenues for the State, its local governments, and others.

The NMFA sold $17,440,600 of Series 1997A Administrative Fee Revenue Bonds in September 1997. Those bonds are secured by certain administrative fees imposed by the NMTRD on local governments for the services associated with collection of local options gross receipts tax revenues, as well as NMTRD administrative fees imposed in connection with other taxes, fees, and charges. The NMFA entered into an interim loan agreement with the NMTRD in advance of long-term financing of the second issue of TRIMS Project bonds. The NMFA issued the balance of the amount of bonds authorized for the TRIMS Project with the sale of $16.27 million of 1999A Administrative Fee Revenue Bonds in September 1999.

New Mexico State Highway and Transportation Department

On October 2, 1998, the NMFA issued its $100,230,000 Federal Highway Grant Anticipation Revenue Bonds, Series 1998A for the purpose of financing the costs of acquiring, constructing, expanding and improving approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes (the "Corridor 44 Project") by the New Mexico State Highway and Transportation Department ("NMSHTD"). The bonds are payable from the NMFA's rights to payments under a loan agreement between the NMFA and NMSHTD. The obligations of NMSHTD under the loan agreement are payable solely from and secured by a pledge of certain revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented. Subsequent bond issues for the completion of the Corridor 44 Project were issued directly by NMSHTD.

In February 2001, the NMFA issued $18,535,000 in Federal Highway Grant Anticipation Revenue Bonds, Series 2001 for the purposes of financing the design, repair, construction, expansion, reconstruction and improvement of certain public lands highways located in New Mexico. The bonds are solely payable from the NMFA's rights to payments under a Loan Agreement between the NMFA and NMSHTD. The obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a pledged of certain revenues received by or on behalf of NMSHTD pursuant to Chapters 1 and 2 of Title 23 United States Code, Highways, as amended and supplemented.

Drinking Water Program

The New Mexico Drinking Water State Revolving Loan Fund Act (the "Drinking Water Fund Act") was signed into law on April 9,1997. The Drinking Water Fund Act creates, in the NMFA, the New Mexico Drinking Water State Revolving Loan Fund (DWRLF) which is administered by the NMFA. The NMFA was charged with the establishment, in cooperation with the State of New Mexico Environment Department, of a loan program to provide local authorities with low-cost financial assistance in the construction of drinking water facilities necessary to protect the public health. The passage of the Drinking Water Fund Act was in response to the re-authorization by Congress and the President of the federal Safe Drinking Water Act (SDWA), which required the Environmental Protection Agency (EPA) to make capitalization grants to the states to further the health objectives of the SDWA. Under the re-authorization, capitalization grants will be made to the states over the next seven years.

New Mexico has been awarded a total of $42,897,000 in capitalization grant dollars from the EPA through December 1, 2002, and has provided a total state match of $8,578,200. The capitalization grant request for FY 2002, in the amount of $8,052,500, is currently being prepared and will be presented to the EPA by June 2003; the related state match is $1,610,500.

The NMFA can utilize funds in the DWRLF to make loans to localities for drinking water facility construction, renovation or expansion. For projects with proper legislative approval, these loans can be combined with loans from the Public Project Revolving Fund to leverage the funds in the DWRLF to create a greater dollar volume of loans. To date the NMFA has funded 15 loans totaling approximately $15,782,563.

Bernalillo Metropolitan Court

During the 1998 special legislative session and the 2000 legislative session, the Legislature authorized the NMFA to issue up to $57.9 million in revenue bonds for the purpose of financing the acquisition of real property and the design, construction and equipping of a new court building and an adjacent parking facility for the Bernalillo

Metropolitan Court in Albuquerque, New Mexico. The first series of bonds for the Metropolitan Court Project, the Court Facilities Fee Revenue Bonds, were issued on August 16, 2001 in the amount of $33,000,000. On September 5, 2002, the next series of bonds was issued in the amount of $24,900,000. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the State, a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the Motor Vehicle Code involving the operation of a motor vehicle and amounts on deposit in the Subordinate Lien PPRF Revenue Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS - Outstanding Subordinate Debt" herein.

Water and Wastewater Grant Fund Program

In 2000, the Legislature authorized the NMFA to issue up to $5,000,000 in bonds to fund grants for 26 public water and wastewater systems. In 2001, the Legislature appropriated approximately $40,000,000 to the Water and Wastewater Grant Fund Program to fund 72 public water and wastewater systems. In 2002, the Legislature appropriated $15,000,000 to the Water and Wastewater Grant Fund, but did not identify specific projects to receive the benefit of these funds. For this reason, the NMFA has used the 2002 legislative appropriation only for certified emergency projects. As of October 31, 2002 the NMFA Board of Directors has approved 101 grants, totaling approximately $42 million.

Water and Wastewater Planning Fund Program

The Water and Wastewater Planning Fund was created by the Legislature in 2002 to provide grants for qualified entities to evaluate and to estimate the costs of implementing the most feasible alternatives for meeting water and wastewater public project needs. The grants need not have specific authorization by statute. The NMFA is authorized to issue up to $1 million in bonds to fund these grants.

State Office Building Program

The Legislature in 2001 authorized the NMFA to issue bonds in the amount of $75,000,000 to finance four separate projects: (i) purchase, renovate, equip and furnish the National Education Association Building on South Capitol Street in Santa Fe, (ii) plan, design, construct, equip and furnish a new office building with integrated parking at the West Capitol Complex on Cerrillos Road in Santa Fe, (iii) purchase, renovate, equip and furnish the Public Employees Retirement Association Building on Paseo de Peralta in Santa Fe, and (iv) purchase land adjacent to the District 5 Office of the State Highway and Transportation Department on Cerrillos Road in Santa Fe. The bonds are payable from a pledge of a portion of the State's gross receipts tax. In January 2002, the NMFA issued its State Office Building Tax Revenue Bonds, Series 2002A in the amount of $34,695,000 to finance a portion of the authorized projects.

Interim Loan Programs

The NMFA is authorized to use money on deposit in the public project revolving fund to make loans to qualified entities for the financing of (1) equipment for fire protection, law enforcement and protection, computer and data processing, street and road construction and maintenance, emergency medical services, solid waste collection, transfer and disposal, radio and telecommunications, and utility system purposes, and (2) the acquisition, construction and improvement of fire stations. Interim loans may be made for those purposes in amounts not exceeding five hundred thousand dollars, and will, within two years after loans are made, be specifically authorized by law at a legislative session or, within that two year period, bonds will be issued by the NMFA, the proceeds of which will be used to reimburse the public project revolving fund for the amounts used to make interim loans. Projects funded with the proceeds of interim loans under the equipment program are not required to obtain specific authorization by law, as required of projects funded directly from the public project revolving fund.

The Subordinate Lien Program

The NMFA is authorized to issue bonds pursuant to the Subordinated General Indenture of Trust and Pledge dated as of June 1, 2002 and supplements thereto (collectively, the "Subordinated General Indenture") to provide funds to Governmental Units for projects that have been approved by the legislature for funding through the Public Project Revolving Fund. In connection with the issuance of bonds issued pursuant to the Subordinated General Indenture (the "Subordinate PPRF Bonds"), the NMFA may enter into a loan agreement with the Governmental Unit or may purchase securities of the Governmental Unit in consideration for the loan of a portion of the proceeds of such Subordinate PPRF Bonds for projects. Such loan agreements and securities are referred to herein as "Subordinate PPRF Agreements." The Subordinate PPRF Bonds are secured by (i) all revenues received or earned by the NMFA from or attributable to the Subordinate PPRF Agreements (except for certain costs of administering the Public Project Revolving Fund program); (ii) public project revolving fund revenues released from the Indenture; (iii) all revenues received or earned by the NMFA from or attributable to other loan agreements or securities pledged to the Subordinated General Indenture; and (iv) all interest earned by and profits derived from the sale of investments in certain funds and accounts created under the Subordinated General Indenture.

LITIGATION

According to the NMFA, there is no controversy or litigation known to be pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2003B Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any payments which will provide Revenues for the payment of the debt service on the Series 2003B Bonds or in any way contesting or affecting the validity or enforceability of the Series 2003B Bonds, the Indenture, or any proceeding and authority of the NMFA taken with respect to the foregoing. The NMFA will deliver a no-litigation certificate as to the foregoing prior to the issuance of the Series 2003B Bonds.

UNDERWRITING

U.S. Bancorp Piper Jaffray Inc., RBC Dain Rauscher Inc., George K. Baum & Company and Banc of America Securities LLC (collectively, the "Underwriters") have agreed to purchase the Series 2003B Bonds from the NMFA pursuant to a Bond Purchase Agreement dated May 22, 2003 (the "Bond Purchase Agreement"), at an aggregate price of $27,281,548.58 (being the aggregate principal amount plus a net original issue premium of $2,096,806.60 and less Underwriters' discount of $185,258.02). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2003B Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 2003B Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 2003B Bonds. The NMFA has covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2003B Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2003B Bonds. Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, has assumed, without undertaking to verify or confirm, continuing compliance by the NMFA with such requirements and restrictions in rendering its opinion regarding the tax exempt status of interest on the Series 2003B Bonds.

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2003B Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

Although said Co-Bond Counsel will render an opinion that interest on the Series 2003B Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003B Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. Said Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003B Bonds.

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, under laws of the State of New Mexico as currently enacted and construed, interest on the Series 2003B Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

Original Issue Premium. Certain of the Series 2003B Bonds are offered at a premium ("original issue premium") over principal amount. Original issue premium is amortizable periodically over the term of a Series 2003B Bond through reductions in the holder's tax basis for the Series 2003B Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Series 2003B Bond rather than creating a deductible expense or loss. Series 2003B Bondholders should consult their tax advisors for an explanation of the amortization rules.

Original Issue Discount. Certain of the Series 2003B Bonds are offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. Original issue discount on a Series 2003B Bond accrues as tax-exempt interest periodically over the term of the Series 2003B Bond. The accrual of original issue discount increases the holder's tax basis in the Series 2003B Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Series 2003B Bondholders should consult their tax advisors for an explanation of the accrual rules.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2003B Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel to the NMFA, and Ballard Spahr Andrews & Ingersoll, LLP, as Co-Bond Counsel to the NMFA, will deliver the respective opinions included in Appendix E hereto. Certain legal matters relating to the Series 2003B Bonds will be passed upon for the Underwriters by their counsel, Brownstein Hyatt & Farber, P.C. Neither Brownstein Hyatt & Farber, P.C. nor either Co-Bond Counsel has participated in any independent verification of the information concerning the financial condition or capabilities of the NMFA contained in this Official Statement.

Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico.

EXPERTS

The NMFA has retained Western Financial Group, LLC, as financial advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2003B Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Western Financial Group, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

FINANCIAL STATEMENTS

The combined financial statements of the NMFA for the year ended June 30, 2002, included as Appendix A of this Official Statement have been audited by Neff & Ricci, LLP, certified public accountants, Albuquerque, New Mexico, as set forth in their report thereon dated October 22, 2002. Such financial statements represent the most current audited financial information available for the NMFA. Neff & Ricci, LLP has consented to the use of its name and audited financial reports of the NMFA in this Official Statement.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Prior to the delivery of the Series 2003B Bonds, Causey Demgen & Moore, certified public accountants, will deliver a report on the mathematical accuracy of certain computations contained in the schedules provided to them by the Underwriters relating to the adequacy of the maturing principal amounts of the United States governmental obligations held by the Escrow Agent and interest to be earned thereon to pay all of the principal of and interest on the Refunded Bonds, when due. Based on the mathematical computations of the accountants, the Escrow Fund will be funded in an amount sufficient such that the Refunded Bonds will be deemed to have been paid and will no longer be outstanding as of the respective date of the establishment of the Escrow Fund.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission in connection with the issuance of the Series 2003B Bonds, the NMFA will agree to provide the following information:

(i) to each nationally recognized municipal securities information repository ("NRMSIR"):

(1) annual financial information and operating data as follows:

(a) with respect to the NMFA, information concerning the NMFA Portion of the Governmental Gross Receipts Tax Revenues, such information to be of the type set forth under the table captioned "Governmental Gross Receipts Taxes Collections Fiscal Years 1997-1998 through 2001-2002" under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS - Revenues - The Governmental Gross Receipts Tax" in the Official Statement; and

(b) with respect to any Governmental Unit whose Loan repayment obligations constitute more than 5% of the estimated annual Revenues in any year when the Series 2003B Bonds are outstanding (the "5% test") information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Pledged Revenues, or such shorter period for which such information is available.

and

(2) audited financial statements for the NMFA and any Governmental Unit meeting the 5% test.

Such information will be provided within 270 days of the end of each fiscal year and will be made available, in addition to each NRMSIR, to the Trustee and to each holder of the Series 2003B Bonds who requests such information. In the event that audited financial statements are not available within such time period, unaudited financial statements will be provided;

(ii) in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") and to a State information depository, if any, notice of the occurrence of any of the following events (if applicable) with respect to the Series 2003B Bonds or the Agreements, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Series 2003B Bonds;

(7) modification of rights of security holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Series 2003B Bonds; and

(11) rating changes.

The NMFA may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the NMFA, such other event is material with respect to the Series 2003B Bonds or the Agreements. However, the NMFA does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above; and

(iii) in a timely manner to the MSRB notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The NMFA reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the NMFA; provided that, the NMFA has agreed that any such modification will be done in a manner consistent with the Rule. The NMFA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Owners of the Series 2003B Bonds and shall be enforceable by the Owners; provided that, the right to enforce the provisions of this undertaking are limited to a right to obtain specific enforcement of the NMFA's obligations, and any failure by the NMFA to comply with the provisions of the undertaking shall not be an event of default with respect to the Series 2003B Bonds.

Continuing disclosure undertakings previously entered into by NMFA called for it to file an annual report and audit with respect to the Fiscal Year ended June 30, 1997 no later than 270 days after the end of such fiscal year. In November of 1998, the NMFA discovered that such report and audit had not yet been filed. On November 25, 1998, NMFA notified the MSRB of its failure to file the report and audit and by December 15, 1998, such report and audit had been filed with the NRMSIRs. NMFA believes that it is now in compliance with its continuing disclosure undertakings.

Financial information and operating data for the City of Albuquerque, New Mexico, the only Governmental Unit which is expected to provide more than 5% of estimated annual Revenues in any year when Bonds will be Outstanding, is set forth in Appendix E hereto.

RATINGS

Moody's Investor's Service, Inc. ("Moody's"), Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of "Aaa," "AAA," and "AAA", respectively, to the Series 2003B Bonds, based on the understanding that upon the delivery of the Series 2003B Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2003B Bonds will be issued by a municipal bond insurer. In addition, Moody's, S&P and Fitch have assigned underlying (i.e., without regard to a municipal bond insurance policy) long-term ratings of "A-1", "A-", and "AA", respectively, to the Series 2003B Bonds. An explanation of the significance of such ratings may be obtained from Moody's at 99 Church Street, New York, New York 10007, S&P at 55 Water Street, New York, New York 10041, and Fitch at One State Street Plaza, New York, New York 10004.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2003B Bonds and there is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings given to the Series 2003B Bonds may have an adverse effect on the market price of the Series 2003B Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2003B Bonds any proposed revision or withdrawal of the ratings on the Series 2003B Bonds, or to oppose any such proposed revision or withdrawal.

ADDITIONAL INFORMATION

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 409 St. Michael's Drive, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 2003B Bonds.

APPROVAL BY THE NMFA

This Official Statement and its distribution and use by the Underwriters have been duly authorized and approved by the NMFA, and this Official Statement has been executed and delivered on behalf of the NMFA by the Chairman of its Board of Directors and its Executive Director.

NEW MEXICO FINANCE AUTHORITY

By /s/Stephen R. Flance
Stephen R. Flance
Chairman of the Board of Directors

By /s/David W. Harris
David W. Harris
Executive Director

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

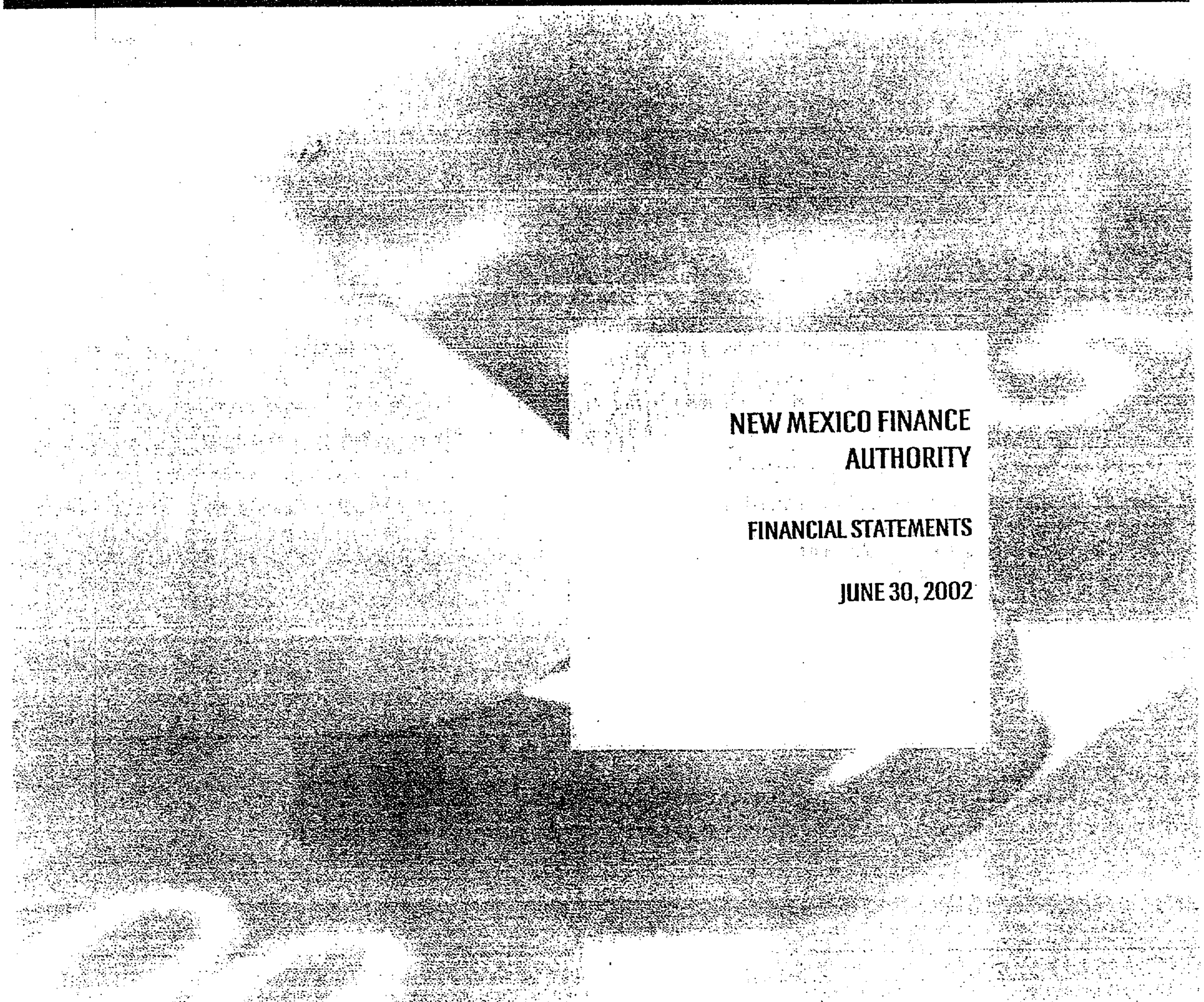
AUDITED FINANCIAL STATEMENTS OF THE NMFA
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NEFF + RICCI LLP

6100 UPTOWN BLVD NE · SUITE 400 · ALBUQUERQUE, NM 87110

TEL: 505.830.6200 FAX: 505.830.6282 WEB: WWW.NEFFCPA.COM

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS



NEW MEXICO FINANCE AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2002

[THIS PAGE INTENTIONALLY LEFT BLANK]

NEW MEXICO FINANCE AUTHORITY
JUNE 30, 2002

Official Roster

Governing Board

Robert M. Goodman, Chairman
William F. Fulginiti, Vice Chairman
H. Dan Shannon, Secretary
Phil Archibeck
John Garcia
Harold Field
Peter Maggiore
Sam Montoya
Mary L. Thompson
Danny Earp
Jon Brown
Betty Rivera

Executive Director

Tom K. Pollard, Ph.D.

Chief Financial Officer and Controller

Keith H. Mellor

NEFF + RICCI LLP
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS
6100 UPTOWN BLVD NE · SUITE 400 · ALBUQUERQUE, NM 871
TEL: 505.830.6200 FAX: 505.830.6282 WEB: WWW.NEFFCPA.C

Independent Auditors' Report

Members of the Board of Directors
New Mexico Finance Authority
And
Mr. Domingo Martinez, CGFM,
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Mexico Finance Authority (Authority), as of and for the year ended June 30, 2002, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Authority's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Authority, as of June 30, 2002, and the respective changes in the financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Board of Directors
New Mexico Finance Authority
And
Mr. Domingo Martinez, CGFM,
New Mexico State Auditor
Santa Fe, New Mexico

As described in Note 2, the Authority adopted the provisions of the Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis-For State and Local Governments*, as of July 1, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2002, on our consideration of the Authority internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of pledged collateral is presented for purposes of additional analysis and are not a required part of the financial statements. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by US Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Not-for-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to each of the respective individual funds taken as a whole.

Neff + Ricci LLP

Albuquerque, New Mexico
October 22, 2002

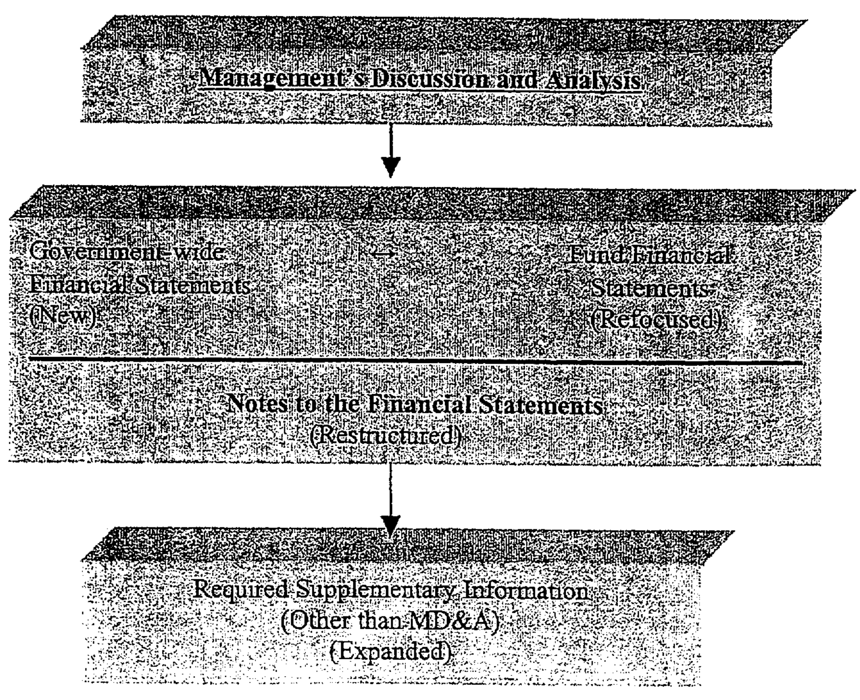
The New Mexico Finance Authority (NMFA) discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the NMFA's financial activity, (c) identify changes in the NMFA's financial position (ability to address future year challenges), (d) identify any material deviations from the financial plan (approved budget), and (e) identify fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, the NMFA's financial statements and notes which follow this section.

In the first period that GASB #34 is applied, it does not require that governments restate prior periods for the purpose of providing required comparative data for MD&A. The NMFA has chosen not to restate prior periods however, in future years, a comparative analysis of government wide data will be provided.

USING THIS ANNUAL REPORT

With the implementation of GASB #34, the presentation of the financial statements is significantly different from the previous general-purpose financial statements. The primary focus in State government's financial statements for the last 20 years (summarized fund type information) has been discarded with implementation of GASB #34. The new focus is on both the NMFA (government-wide) and the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison and enhance accountability. Although the NMFA is an instrumentality of the State of New Mexico Government, the Primary Government focus in this financial report is the NMFA and not the State of New Mexico as a whole. The following is a graphic presentation of the new accounting model:



MD&A should provide an objective and easily readable analysis of the NMFA's financial activities based on currently known facts, decisions, or conditions. It should provide an analysis of the NMFA's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it should provide an analysis of significant changes that occur in funds and significant budget variances.

Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government and consist of a statement of net assets and a statement of activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the NMFA. Both statements distinguish between the governmental and business-type activities of the NMFA. Fiduciary activities whose resources are not available to finance the government's programs are excluded from the government-wide statements.

The government-wide financials statements of the NMFA are divided into two categories:

- Governmental Activities – All of the NMFA's stand alone bond financings and grant programs are included in the governmental activities. State dedicated revenues and grant appropriations finance most of these activities. The funds included in Governmental Activities for the NMFA are the TRIMS Project Financing, Metro Court Financing, Highway 44 Financing, Federal Highway Forest Road Financing, UNM Cancer Center Financing, Water/Wastewater Grant Fund, Water Trust Board, Workers Compensation Building Financing, State Capitol Improvement Financing, Equipment Loan Financings, and the Insurance Department Financings.
- Business-type Activities – The NMFA's revolving fund programs and operating fund are included in the Business-type activities. The funds included in the Business-type activities for the NMFA are the Public Projects Revolving Fund, the Federal Drinking Water Loan Revolving Fund, the Primary Care Loan Revolving Fund, the State Building Purchase Fund, and the General Operating Fund.

Fund Financial Statements

Fund financial statements consist of a series of statements that focus on information about the major governmental and proprietary funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary fund financial statements (enterprise funds) are prepared using the economic resources measurement focus and the accrual basis of accounting.

Fund Financial Statements (Continued)

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

Governmental Fund Types:

- Special Revenue funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. The Authorities funds classified as Special Revenue Funds are the UNM Cancer Center Bond Fund, the Water Waste/water Grant Fund, and the Water Projects Fund (accounted for within the Water Trust Fund).

- Debt Service funds – The debt service funds are used to account for the accumulation of resources for, and the payment of general long-term obligation principal, interest, and related costs. The funds classified as debt service funds are the TRIMS Project, the Metro Court Financing Fund, the Highway 44 Financing Fund, the Forest Highway Forest Road Financing Fund, the Workers Compensation Building Financing Fund, the State Capitol Improvement Financing Fund, The Equipment Loan Funds, and the Insurance Department Financing Fund.

Proprietary Fund Types:

- Enterprise funds – Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the costs of providing services including capital costs, be recovered with fees and charges or (c) has a pricing policy designed for the fees and charges to recover similar costs. The funds classified as proprietary funds are, the General Operating fund, the Public Projects Revolving Fund, the Drinking Water State Revolving Loan Fund, the Primary Care Capital Fund, and the State Office Building Financing Fund.

Notes to the Financial Statements

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

GASB #34 requires that infrastructure assets (roads, bridges, traffic signals, etc.) be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either depreciate these assets over their estimated useful life or develop a system of asset management designed to maintain the service delivery potential. The NMFA does not own a material interest in any infrastructure assets and therefore is not required to implement this portion of GASB #34.

Budgetary Comparisons

In addition to MD&A, GASB #34 requires budgetary comparison schedules for the general fund and for each major governmental fund that has an adopted annual budget. The NMFA does not have any legally adopted budgets and therefore does not present these financial statements. Budget to Actual information is included in the financial statement footnotes for budgeted funds as approved by the Board of Directors.

HIGHLIGHTS

Financial Highlights

The NMFA's net assets at year end were $152,594,772. The governmental net assets were $42,605,478 and the business-type net assets were $ 109,989,294.

The governmental and business-type activities program revenue was $59,238,182 and the change in net assets was $46,885,743 in fiscal year 2002.

The total cost of all NMFA programs was $62,015,678.

NMFA Highlights

The New Mexico Finance Authority (NMFA), created in 1992, assists qualified entities in financing capital equipment and infrastructure projects at any stage of completion, from pre-planning through construction, by providing low-cost funds and technical assistance. It does so through its five main financing sources: Public Project Revolving Fund (PPRF), Water and Wastewater Grant Fund (W/WWGF), the Drinking Water Revolving Loan Fund (DWRLF), the Primary Care Capital Fund (PCCF), and State Buildings and Automation Project Financing. The newly created Water Trust Fund is to be administered by the NMFA and the NMFA provides staff support to the new Water Trust Board.

As of June 30, 2002, the NMFA has financed more than $587 million in capital projects across all programs.

Highlights (Continued)

NMFA's core program, the PPRF loan program has provided financing for a variety of infrastructure and equipment projects. In FY 2002, the PPRF program made approximately forty loans totaling approximately $31 million.

In cooperation with the New Mexico Environment Department (NMED), the NMFA administers the DWRLF program, a federally funded loan program to provide local authorities with low-cost financing and technical assistance in the construction, renovation or expansion of necessary drinking water facilities. In FY 2002, the DWRLF made seven loans totaling $6.9 million and has made an additional three binding loan commitments totaling approximately $2.9 million.

The PCCF program helps qualified non-profit primary care clinics in medically indigent and underserved areas by providing low-cost financing for capital equipment and infrastructure projects. Since the inception of the program through June 30, 2002, the NMFA Board has approved thirteen loans totaling $5.55 million.

Through June 2002, the NMFA has issued $257.5 million in bonds to provide all or part of the financing for several state projects, including a Worker's Compensation Administration Building, UNM Cancer Research Center, Administrative Office of the Courts automation project, an Insurance Department automation project, an information system upgrade for the Taxation and Revenue Department, the State Highway and Transportation's Corridor 44 and Highway 70 projects, the State Library Renovation project, and the Bernalillo Metropolitan Courthouse project.

The NMFA's grant program, the Water/Waste Water Grant Fund Program, was created in 1999 to help qualified disadvantaged entities fund critical water and wastewater projects. Through June 30, 2002, grants have been approved totaling $42 million.

The 2001 Legislature passed the Water Project Finance Act to provide a financing mechanism to promote water use efficiency, water resource conservation and protection of, fair distribution of and the allocation of water to all users. To this end, the Act created the Water Trust Fund and the Water Project Fund to provide the necessary financial framework and created a fifteen-member Water Trust Board. The Water Trust Fund is created in the State Treasurer's office to be invested by the State Investment Officer in a manner similar to land grant permanent funds. Money in the Water Trust Fund may not be expended for any purpose, but an annual distribution is made to the Water Project Fund.

The Water Project Fund is created in the NMFA, which provides staff support to the Water Trust Board and makes loans or grants to qualified entities for projects prioritized by the Board, approved by the Legislature and on terms and conditions established by the Water Trust Board. The NMFA is authorized to recover from the fund the costs of administering the fund and originating loans and grants.

Highlights (Continued)

During the 2002 regular session, House Bill 88 appropriated $22.5 million to the Water Projects Fund for identified regional projects related to various water needs throughout the State.

FINANCIAL ANALYSIS OF THE NMFA AS A WHOLE

Net Assets: Table A-1 summarizes the NMFA's net assets for the fiscal year ending June 30, 2002. Net assets for Governmental Activities and Business-type Activities were $42,605,478 and $109,989,294 respectively. Total NMFA net assets for fiscal year 2002 are $152,594,772. However, most of those assets are restricted as to the purposes they can be used for. The unrestricted net assets of Governmental Activities are $15,077,374 at the end of the fiscal year. This amount consists of accumulated cash surpluses due to dedicated revenues received over and above amounts necessary for debt service on outstanding bond issues. In most cases these surpluses will be rebated or appropriated to the State entity for which the project was originally financed.

Table A-1
The NMFA's Net Assets

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current and Other Assets	$ 139,790,966	123,388,015	**263,178,981**
Capital and Non-Current Assets	117,498,390	177,989,121	**295,487,511**
Total Assets	**$ 257,289,356**	**301,377,136**	**558,666,492**
LIABILITIES			
Current Liabilities	$ 29,010,052	54,520,358	**83,530,410**
Long-Term Liabilities	185,673,826	136,867,484	**322,541,310**
Total Liabilities	**214,683,878**	**191,387,842**	**406,071,720**
NET ASSETS			
Invested in capital assets	-	31,684	**31,684**
Restricted	27,528,104	109,717,358	**137,245,462**
Unrestricted	15,077,374	240,252	**15,317,626**
Total net assets	42,605,478	109,989,294	**152,594,772**
Total liabilities and net assets	**$ 257,289,356**	**301,377,136**	**558,666,492**

In the Business-type activities, the unrestricted amount of $240,252 is the unrestricted balance of the PPRF Fund and can be used only for the stated purposes of that fund.

Revenue

Total revenue for The NMFA as a whole in FY 2002 was $108,901,421. NMFA's revenue was generated from a number of sources.

For governmental-type activities total revenue was $64,644,121 of which tax revenues comprised 33%, grant revenues comprised 51%, loan interest income comprised 9% and investment income 7%.

For business-type activities total revenue was $44,257,300 of which tax revenues comprised 50%, Federal grant revenues 6%, revolving loan grant revenue 20%, loan interest income 16%, investment income 4% and Administration fees 4%.

Table A-2
Changes in the NMFA's Net Assets

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental - type Activities (Infrastructure financing)	Business-type Activities (Infrastructure financing)	Total
Expenses	$ 45,577,075	16,438,603	**62,015,678**
Total program revenues	38,145,176	21,093,006	**59,238,182**
Net (expense) revenue	(7,431,899)	4,654,403	**(2,777,496)**
Total general revenues and transfers	26,498,945	23,164,294	**49,663,239**
Change in net assets	19,067,046	27,818,697	**46,885,743**
Net assets - beginning, as restated	23,538,432	82,170,597	**105,709,029**
Net assets – ending	**$ 42,605,478**	**109,989,294**	**152,594,772**

Expenses

Total expenses for The NMFA as a whole in FY 2002 were $62,015,678.

The NMFA's total expenses for government-type activities during the fiscal year were $45,577,075. Approximately 1% of the expenditures are in the area of operating costs which include salaries and benefits, professional services, travel, etc. Grant expenses comprise 17% of the total, debt service expenditures 20%, and transfers to other state agencies 62%.

Expenses for business-type activities totaled $16,438,603. The majority of expenses for business-type activities were for debt service at 44%, transfers to other agencies amounted to 31%. With in the operating cost category salaries and benefits comprised 5%, all other operating costs such as repairs and maintenance, travel, supplies etc. comprised 17% of total expenditures. Provision for loan losses amounted to 3%.

Change in Net Assets

The NMFA's over all change in net assets for fiscal year 2002 was an increase of $46,885,743.

As the NMFA completed the year, its governmental-type activities reported an increase of $19,067,046. The primary reason for this increase is the receipt of revenues dedicated to State building and automation bonds above anticipated levels.

The NMFA's business-type activities net assets increased $27,818,697. The primary reasons for the increase relates to the relatively low operating costs for each program and the receipt of funding revenues at anticipated levels.

Budgetary Highlights

For FY 2002 the NMFA completed the year with a favorable variance of $221,212 for its combined total of all budgeted funds (please see Table A-3). For all budgeted programs, there were no revisions or increases made to the original budget during the course of the year.

Table A-3

Grand Total of all Funds

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Administrative Fees – Operating	$ 580,410	$ 584,076	$ 3,666
Setaside Revenue	229,734	129,334	(100,400)
Reimbursement Revenue	754,127	487,906	(266,221)
Interest Income	-	7,911	7,911
Total Revenue	1,564,271	1,209,227	(355,045)
Operating Transfers in	447,065	551,096	104,031
Total Revenue and transfers in	$ 2,011,336	$ 1,760,323	$ (251,013)

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personnel Services	$ 871,050	$ 808,943	$ 62,107
Employee Benefits	361,145	270,726	90,418
In-State Travel	28,591	37,171	(8,580)
Maintenance and Repairs	13,999	14,051	(52)
Office Supplies	29,700	29,041	659
Contractual Services	453,382	409,780	43,602
Operating Costs	197,679	190,127	7,552
Out-of-State Travel	20,050	7,058	12,992
Total Current Expenditures	1,975,595	1,766,898	208,698
Capital Outlay	35,743	23,229	12,514
Total Expenditures	$ 2,011,338	$ 1,790,127	$ 221,212

Capital Assets and Debt Administration

At the end of fiscal year 2002, the NMFA has invested a total of $232,459 in business-type activities, there has been no investment in fixed assets for government-type activities. During FY 2002 capital outlay expenditures total $9,916. This amount represents purchases for technical upgrades and leasehold improvements. More detailed information about the NMFA's capital assets is presented in Note 8 to the financial statements.

Long-Term Debt

The NMFA's long term debt is all outstanding bond issues related to the various programs administered by the NMFA. At the end of fiscal year 2002, the total amount outstanding was $322.5 million. More detailed information about the NMFA's long-term debt is presented in Note 9 to the financial statements.

Subsequent to June 30, 2002, the NMFA issued $24,900,000 in bonds in the Metro Court Financing Fund and $55,610,000 in the Public Project Revolving Fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The FY 2003 budget accommodates the NMFA's administration of six programs paid from different sources of revenue:

- General operations of the NMFA, funded from administration fees and cigarette tax revenue;
- Administration of the new Water Trust Board funded from the Water Project Fund;
- Water and Wastewater Grant Fund (W/WWGF)program operations, funded from the W/WWGF;
- Drinking Water Revolving Loan Fund (DWRLF) Program operations, funded from the federal capitalization grant;
- PPRF Loan Servicing, funded from the PPRF;
- The Water and Wastewater Planning Fund (WPF), funded from the WPF (new).

The NMFA Board approved two budgets for FY 2003. The NMFA's primary operating budget for FY 2003 is $2,113,367, compared to the FY 2002 budget of $2,011,337, a 5% increase. In June 2002, the NMFA Board approved a supplemental budget of $235,714 to handle the increase of activity in the Emergency Drought Relief efforts, bringing the total FY 2003 Budget to $2,349,081.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, legislators, and investors and creditors with a general overview of the NMFA's finances and to demonstrate the NMFA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

New Mexico Finance Authority
409 St. Michael's Drive
Santa Fe, New Mexico 87505

NEW MEXICO FINANCE AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2002

ASSETS		Governmental Activities	Business-type Activities	**Total**
Cash and cash equivalents (Note 3)	$	95,824,604	63,289,114	**159,113,718**
Receivables:				
Taxes		2,541,517	1,585,636	**4,127,153**
Interest		52,754	1,312,732	**1,365,486**
Grant and other		-	1,168,517	**1,168,517**
Loans, net of allowance (Note 4)		114,156,445	159,420,502	**273,576,947**
Securities (Note 5)		-	15,483,862	**15,483,862**
Due from other funds (Note 6)		-	2,892,119	**2,892,119**
Cash and cash equivalents - restricted (Note 3)		41,368,984	52,976,923	**94,345,907**
Capital assets:				
Depreciable property and equipment, net (Note 3)		-	31,684	**31,684**
Deferred issuance costs		3,337,430	3,050,667	**6,388,097**
Other assets		4,515	2,406	**6,921**
Total assets	$	257,286,249	301,214,162	**558,500,411**
LIABILITIES				
Accounts payable and accrued liabilities	$	193,500	791,113	**984,613**
Accrued payroll, fringe benefits and compensated absences		8,601	74,365	**82,966**
Accrued interest payable		2,351,566	604,672	**2,956,238**
Debt service payable		293,298	13,252,162	**13,545,460**
Short-term notes payable		2,000,000	-	**2,000,000**
Funds held for others		20,922,174	31,952,612	**52,874,786**
Due to other state agencies		345,687	7,682,460	**8,028,147**
Due to other funds (Note 6)		2,892,119	-	**2,892,119**
Bonds payable, current (Note 9)		15,465,000	6,830,000	**22,295,000**
Bonds payable, long term (Note 9)		170,208,826	130,037,484	**300,246,310**
Total liabilities		214,680,771	191,224,868	**405,905,639**
NET ASSETS				
Invested in capital assets		-	31,684	**31,684**
Restricted for:				
Debt service		5,163,410	74,733,847	**79,897,257**
Program funds		22,364,694	34,983,511	**57,348,205**
Unrestricted		15,077,374	240,252	**15,317,626**
Total net assets		42,605,478	109,989,294	**152,594,772**
Total liabilities and net assets	$	257,286,249	301,214,162	**558,500,411**

See Notes to Financial Statements.

NEW MEXICO FINANCE AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002

	Governmental - Activities	Business-type Activities	Total
Expenses - Capital Financing	$ 45,577,075	16,438,603	**62,015,678**
Program revenues:			
Charges for services	5,645,176	8,492,679	**14,137,855**
Operating grants and contributions	32,500,000	12,600,327	**45,100,327**
Total program revenues	38,145,176	21,093,006	**59,238,182**
Net (expense) revenue	(7,431,899)	4,654,403	**(2,777,496)**
General revenues:			
Taxes:			
Governmental gross receipts and gross receipts taxes	21,553,375	22,462,325	**44,015,700**
Investment earnings	3,748,775	1,898,764	**5,647,539**
Transfers	1,196,795	(1,196,795)	**-**
Total general items and transfers	26,498,945	23,164,294	**49,663,239**
Change in net assets	19,067,046	27,818,697	**46,885,743**
Net assets - beginning	25,639,403	79,683,886	**105,323,289**
Cumulative effect of a change in accounting principle	(2,100,971)	2,486,711	**385,740**
Net assets - beginning, as restated	23,538,432	82,170,597	**105,709,029**
Net assets - ending	$ 42,605,478	109,989,294	**152,594,772**

See Notes to Financial Statements.

NEW MEXICO FINANCE AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2002

	Administration Fee Revenue Program (TRIMS Project)	Metro Court Financing Fund	Highway 44 Financing Fund
ASSETS			
Cash and cash equivalents	$ -	17,445,012	-
Tax revenue receivable	791,707	1,102,157	-
Other assets	-	-	-
Due from other funds	-	-	-
Loans receivable	-	-	95,385,000
	791,707	18,547,169	95,385,000
Restricted Assets:			
Cash and cash equivalents held for others by trustee:			
Debt service	16,359,640	-	-
Bond reserve	28	1,792,477	170
Expense fund	18,521	-	39,981
Program - Grant proceeds for other state agency	-	2,611	4,819,258
Program - Bond proceeds	-	-	-
Total restricted assets	16,378,189	1,795,088	4,859,409
Total assets	$ 17,169,896	20,342,257	100,244,409
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$ -	7,936	39,981
Debt service payable	-	99,155	170
Notes payable	-	-	-
Funds held for others	-	-	4,819,258
Due to other state agencies	-	-	-
Due to other funds	-	-	-
Bonds payable	-	-	-
Total liabilities	-	107,091	4,859,409
Fund balances (deficit) - reserved for:			
Debt service	17,169,896	20,235,166	95,385,000
Special revenue funds	-	-	-
Total fund balances	17,169,896	20,235,166	95,385,000
Total liabilities and fund balances	$ 17,169,896	20,342,257	100,244,409

See Notes to Financial Statements.

	Federal Highway Forest Road Financing Fund	State Building Program Cigarette Tax	Water and Wastewater Project Grant Fund	Water Project Fund	Other Governmental Funds	**Total Governmental Funds**
$	-	2,865,299	55,708,713	17,606,911	2,198,669	**95,824,604**
	-	103,483	-	-	544,170	**2,541,517**
	-	-	3,884	631	-	**4,515**
	-	-	2,594	513	-	**3,107**
	18,771,445	-	-	-	-	**114,156,445**
	18,771,445	2,968,782	55,715,191	17,608,055	2,742,839	**212,530,188**
	-	-	-	-	231,206	**16,590,846**
	113,516	323,663	-	-	125,052	**2,354,906**
	-	-	-	-	36	**58,538**
	-	99,362	-	-	76,325	**4,997,556**
	16,102,916	902,322	-	-	361,900	**17,367,138**
	16,216,432	1,325,347	-	-	794,519	**41,368,984**
$	34,987,877	4,294,129	55,715,191	17,608,055	3,537,358	**253,899,172**
$	40,000	-	92,521	16,481	5,182	**202,101**
	113,516	-	-	-	80,457	**293,298**
	-	2,000,000	-	-	-	**2,000,000**
	16,102,916	-	-	-	-	**20,922,174**
	-	-	-	-	345,687	**345,687**
	-	-	2,821,813	73,413	-	**2,895,226**
	-	-	-	-	-	**-**
	16,256,432	2,000,000	2,914,334	89,894	431,326	**26,658,486**
	18,731,445	-	-	-	3,106,032	**154,627,539**
	-	2,294,129	52,800,857	17,518,161	-	**72,613,147**
	18,731,445	2,294,129	52,800,857	17,518,161	3,106,032	**227,240,686**
$	34,987,877	4,294,129	55,715,191	17,608,055	3,537,358	**253,899,172**

NEW MEXICO FINANCE AUTHORITY
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

Total fund balances - governmental funds (Governmental funds balance sheet)	$ 227,240,686
Amounts reported for governmental activities in the statement of net assets are different because:	
Bond deferred issuance costs	3,337,430
Accrued interest payable	(2,351,566)
Interest receivable	52,754
Bonds payable	(183,765,600)
Bonds premium and discount, net	(1,908,226)
Net assets of governmental activities (Statement of net assets)	$ 42,605,478

[THIS PAGE INTENTIONALLY LEFT BLANK]

NEW MEXICO FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	Administration Fee Revenue Program (TRIMS Project)	Metro Court Financing Fund	Highway 44 Financing Fund
Revenues			
Tax revenue	$ 10,392,054	5,870,834	-
Grant revenue	-	-	-
Interest on loans	-	-	4,573,918
Interest on investments	1,208,767	802,648	-
Total revenues	11,600,821	6,673,482	4,573,918
Expenditures			
Administrative fee	70,874	68,521	-
Professional services	81,140	146,498	-
Salaries and fringe benefits	-	-	-
In-state travel	-	-	-
Maintenance and repairs	-	-	-
Operating costs	-	-	-
Grant expense	-	-	-
Total current expenditures	152,014	215,019	-
Debt service:			
Principal payments	4,100,000	-	4,845,000
Interest expense	350,360	1,564,724	4,573,918
Bond issuance costs	11,000	421,214	-
Total debt service expenditures	4,461,360	1,985,938	9,418,918
Excess (deficiency) of revenues over expenditures	6,987,447	4,472,525	(4,845,000)
Other Financing Sources (Uses)			
Bond proceeds	-	33,000,000	-
Transfers (to) from other funds	-	1,747,891	-
Transfers to other state agencies	-	(23,706,315)	-
Total other financing sources (uses)	-	11,041,576	-
Net change in fund balance	6,987,447	15,514,101	(4,845,000)
Fund balances (deficit) - beginning	(13,017,151)	4,721,065	-
Cumulative effect of change in accounting principle	23,199,600	-	100,230,000
Fund balances (deficit), beginning	10,182,449	4,721,065	100,230,000
Fund balances (deficit), ending	$ 17,169,896	20,235,166	95,385,000

See Notes to Financial Statements.

Federal Highway Forest Road Financing Fund	State Building Program Cigarette Tax	Water and Wastewater Project Grant Fund	Water Project Fund	Other Governmental Funds	**Total Governmental Funds**
$ -	1,366,631	-	-	3,923,856	**21,553,375**
-	-	15,000,000	17,500,000	-	**32,500,000**
942,256	-	-	-	76,248	**5,592,422**
-	185,723	1,329,901	107,422	114,314	**3,748,775**
942,256	1,552,354	16,329,901	17,607,422	4,114,418	**63,394,572**
-	-	-	-	66,654	**206,049**
40,000	8,700	71,563	16,722	8,259	**372,882**
-	-	112,388	45,552	-	**157,940**
-	-	3,739	9,199	-	**12,938**
-	-	1,287	532	-	**1,819**
-	-	24,824	17,256	-	**42,080**
-	4,000,000	3,644,580	-	-	**7,644,580**
40,000	4,008,700	3,858,381	89,261	74,913	**8,438,288**
705,000	600,000	-	-	1,124,000	**11,374,000**
942,256	153,300	-	-	944,937	**8,529,495**
-	-	-	-	-	**432,214**
1,647,256	753,300	-	-	2,068,937	**20,335,709**
(745,000)	(3,209,646)	12,471,520	17,518,161	1,970,568	**34,620,575**
-	-	-	-	-	**33,000,000**
-	(551,096)	-	-	-	**1,196,795**
-	-	-	-	(1,956,437)	**(25,662,752)**
-	(551,096)	-	-	(1,956,437)	**8,534,043**
(745,000)	(3,760,742)	12,471,520	17,518,161	14,131	**43,154,618**
236,445	3,130,871	40,329,337	-	(9,761,164)	**25,639,403**
19,240,000	2,924,000	-	-	12,853,065	**158,446,665**
19,476,445	6,054,871	40,329,337	-	3,091,901	**184,086,068**
$ 18,731,445	2,294,129	52,800,857	17,518,161	3,106,032	**227,240,686**

NEW MEXICO FINANCE AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

Total fund balances - governmental funds (Governmental funds balance statement of revenues, expenditures and changes in fund balance)	$	43,154,618
Amounts reported for governmental activities in the statement of net activities are different because:		
Issuance of bonds		(33,000,000)
Bond debt service principal payments		11,374,000
Amortization of bond issuance costs		(325,593)
Capitalization of bond issuance costs		432,214
Bond premium and discount		(269,381)
Interest expense on long-term debt is recognized when paid under the modified accrual basis of accounting		(2,351,566)
Interest receivable more than 60 days after year end does not meet the criteria specified for measurable and available under the modified accrual basis of accounting.		52,754
Net assets of governmental activities (Statement of activities)	$	19,067,046

[THIS PAGE INTENTIONALLY LEFT BLANK]

NEW MEXICO FINANCE AUTHORITY
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2002

	Operating Fund	Public Project Revolving Funds	DWRLF
ASSETS			
Cash and cash equivalents	$ 440,709	22,028,151	872,154
Receivables:			
Taxes	-	1,085,636	-
Interest	-	1,261,666	51,066
Grant and other	110,439	137,008	921,070
Due from other funds	236,387	2,818,706	-
Total current assets	787,535	27,331,167	1,844,290
Loans, net of allowance	-	141,063,379	13,106,096
Securities	-	15,483,862	-
Restricted assets - cash and cash equivalents	-	41,339,809	9,812,790
Capital assets:			
Depreciable property and equipment, net	18,696	6,205	6,783
Deferred issuance costs, net	-	2,629,995	-
Other assets	2,406	-	-
Total assets	$ 808,637	227,854,417	24,769,959
LIABILITIES			
Accounts payable and other liabilities	$ 12,717	324,336	132,492
Accrued payroll, fringe benefits and compensated absences	62,120	5,048	7,197
Accrued interest payable	-	468,416	-
Debt service payable	-	12,823,559	393,356
Funds held for others	-	22,404,987	9,525,789
Due to other state agencies	588,349	4,257,689	357,062
Due to other funds	-	100,000	62,974
Bonds payable, current	-	5,665,000	-
Total current liabilities	663,186	46,049,035	10,478,870
Bonds payable, long-term	-	97,132,079	-
Total liabilities	663,186	143,181,114	10,478,870
NET ASSETS			
Invested in capital assets	18,696	6,205	6,783
Restricted for:			
Debt service	126,755	51,378,999	14,137,718
Program funds	-	33,047,847	146,588
Unrestricted	-	240,252	-
Total net assets	145,451	84,673,303	14,291,089
Total liabilities and net assets	$ 808,637	227,854,417	24,769,959

See Notes to Financial Statements.

Primary Care Capital Fund	State Building Purchase Fund	Totals
$ 293	39,947,807	**63,289,114**
-	500,000	**1,585,636**
-	-	**1,312,732**
-	-	**1,168,517**
-	-	**3,055,093**
293	40,447,807	**70,411,092**
5,251,027	-	**159,420,502**
-	-	**15,483,862**
1,824,324	-	**52,976,923**
-	-	**31,684**
-	420,672	**3,050,667**
-	-	**2,406**
$ 7,075,644	40,868,479	**301,377,136**
$ -	321,568	**791,113**
-	-	**74,365**
-	136,256	**604,672**
35,247	-	**13,252,162**
21,836	-	**31,952,612**
-	2,479,360	**7,682,460**
-	-	**162,974**
-	1,165,000	**6,830,000**
57,083	4,102,184	**61,350,358**
-	32,905,405	**130,037,484**
57,083	37,007,589	**191,387,842**
-	-	**31,684**
5,229,485	3,860,890	**74,733,847**
1,789,076	-	**34,983,511**
-	-	**240,252**
7,018,561	3,860,890	**109,989,294**
$ 7,075,644	40,868,479	**301,377,136**

NEW MEXICO FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	Operating Fund	Public Project Revolving Funds	DWRLF
Interest earnings:			
Interest on loans	$ -	7,341,753	190,880
Interest on investments	7,911	1,118,557	178,612
Total interest earnings	7,911	8,460,310	369,492
Interest expense:			
Debt service - interest expense	-	6,275,041	-
Net interest earnings	7,911	2,185,269	369,492
Provision for loan losses	-	407,854	-
Net interest earnings after provision for loan losses	7,911	1,777,415	369,492
Non-interest earnings:			
Tax revenue	-	15,462,325	-
Federal grant revenue	-	-	3,166,311
Revolving loans grant revenue	-	-	9,434,016
Administrative fees	584,076	335,182	6,378
Total non-interest earnings	584,076	15,797,507	12,606,705
Non-interest expense			
Grant expense	-	1,016,213	-
Bond issuance costs	-	168,759	-
Administrative fee	-	335,212	-
Professional services	100,564	586,145	82,195
Salaries and fringe benefits	726,949	94,490	129,847
In-state travel	20,159	31	4,042
Out of state travel	3,562	-	1,576
Maintenance and repairs	9,674	1,058	1,500
Supplies	19,824	1,704	1,889
Operating costs	113,171	15,465	22,206
Depreciation	9,728	3,670	8,628
Total non-interest expense	1,003,631	2,222,747	251,883
Total non-interest earnings (expense) before transfers	(419,555)	13,574,760	12,354,822
Transfers:			
Transfers in (out)	551,096	(1,747,891)	-
Transfers from (to) other state agencies	-	-	(2,687,336)
Total transfers	551,096	(1,747,891)	(2,687,336)
Change in net assets	139,452	13,604,284	10,036,978
Total net assets - beginning	5,999	68,582,308	4,254,111
Cumulative effect of change in accounting principle	-	2,486,711	-
Net assets-beginning, as restated	5,999	71,069,019	4,254,111
Total net assets - ending	$ 145,451	84,673,303	14,291,089

See Notes to Financial Statements.

Primary Care Capital Fund	State Building Purchase Fund	Totals
$ 34,410	-	7,567,043
142,682	451,003	1,898,765
177,092	451,003	9,465,808
-	899,125	7,174,166
177,092	(448,122)	2,291,642
-	-	407,854
177,092	(448,122)	1,883,788
-	7,000,000	22,462,325
-	-	3,166,311
-	-	9,434,016
-	-	925,636
-	7,000,000	35,988,288
-	-	1,016,213
-	12,046	180,805
-	19,660	354,872
-	179,922	948,826
-	-	951,286
-	-	24,232
-	-	5,138
-	-	12,232
-	-	23,417
-	-	150,842
-	-	22,026
-	211,628	3,689,889
-	6,788,372	32,298,399
-	-	(1,196,795)
-	(2,479,360)	(5,166,696)
-	(2,479,360)	(6,363,491)
177,092	3,860,890	27,818,696
6,841,469	-	79,683,887
-	-	2,486,711
6,841,469	-	82,170,598
$ 7,018,561	3,860,890	109,989,294

NEW MEXICO FINANCE AUTHORITY
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2002

	Operating Fund	Public Project Revolving Funds	Drinking Water Fund
Cash Flows From Operating Activities:			
Cash paid for employee services	$ (728,414)	(89,442)	(130,556)
Cash paid to vendors for services	(274,227)	(1,282,051)	(23,850)
Interest expense paid	-	(5,806,625)	-
Grants awarded	-	(1,016,213)	311,971
Tax revenue	-	15,720,099	-
Cash received from federal government for revolving loans	-	-	9,434,016
Interest income received	7,911	8,130,682	318,426
Administrative fees received	473,637	335,182	6,378
Net cash (used) provided by operating activities	(521,093)	15,991,632	9,916,385
Cash Flows From Non-Capital Financing Activities:			
Operating transfers	1,139,445	(1,747,891)	-
Cash paid to subrecipients for services	-	-	(2,687,334)
Federal grant revenue received	-	-	2,600,919
Cash provided by funds held for others	(228,849)	(10,025,356)	7,477,048
Net cash provided (used) by non capital financing activities	910,596	(11,773,247)	7,390,633
Cash Flows From Capital and Related Financing Activities:			
Securities	-	841,376	-
Loans funded	-	(33,338,056)	(9,434,016)
Loan payments received	-	14,504,137	-
Cash received from federal government for revolving loans	-	-	-
Bonds issued	-	-	-
Payment of bonds	-	(9,817,759)	-
Fixed asset purchases	(11,619)	(4,869)	(4,013)
Net cash provided (used) by capital and related financing activities	(11,619)	(27,815,171)	(9,438,029)
Net increase (decrease) in cash and cash equivalents	377,884	(23,596,786)	7,868,989
Cash and cash equivalents - beginning of year	62,825	86,964,746	2,815,955
Cash and cash equivalents - end of year	$ 440,709	63,367,960	10,684,944
Reconciliation of operating income to net cash used by operating activities - operating income	$ 139,452	13,604,284	10,036,980
Adjustments to operating income:			
Depreciation and amortization	9,728	172,429	8,628
Bad debt expense	-	407,854	-
Net transfers	(551,096)	1,747,891	-
(Increase) decrease in prepaids and receivables	(112,845)	(71,854)	(611,428)
Increase (decrease) in payables and other accrued liabilities	(6,332)	131,028	482,205
Net cash (used) provided by operating activities	$ (521,093)	15,991,632	9,916,385

See Notes to Financial Statements.

Primary Care Fund	State Building Purchase Fund	Totals
$ -	-	(948,412)
-	121,986	(1,458,142)
-	(762,869)	(6,569,494)
-	-	(704,242)
-	6,500,000	22,220,099
-	-	9,434,016
177,092	451,003	9,085,114
-	-	815,197
177,092	6,310,120	31,874,136
-	-	(608,446)
-	-	(2,687,334)
-	-	2,600,919
(955,410)	-	(3,732,567)
(955,410)	-	(4,427,428)
-	-	841,376
-	-	(42,772,072)
228,705	-	14,732,842
-	(432,718)	(432,718)
-	34,695,000	34,695,000
-	(624,595)	(10,442,354)
-		(20,501)
228,705	33,637,687	(3,398,427)
(549,613)	39,947,807	24,048,281
2,374,230	-	92,217,756
$ 1,824,617	39,947,807	116,266,037
$ 177,092	3,860,890	27,818,698
-	12,046	202,831
-	-	407,854
-	-	1,196,795
-	(500,000)	(1,296,127)
-	2,937,184	3,544,085
$ 177,092	6,310,120	31,874,136

NOTE 1. ORGANIZATION

The Laws of 1992, Chapter 61, as amended, created the New Mexico Finance Authority (Authority). The purpose of the New Mexico Authority Act (Act), is to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.

The Authority's governing board is composed of twelve members. The State Investment Officer, the Secretary of the Department of Finance and Administration, the Secretary of Economic Development, the Secretary of Energy, Minerals and Natural Resources, the Secretary of the Environment Department, the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties are ex-officio members of the Authority with voting privileges. The Governor, with the advice and consent of Senate, shall appoint to the Authority the chief financial officer of an institution of higher education and four members who are residents of the state. The appointed members serve at the pleasure of the governor.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the state except as specifically provided in the New Mexico Finance Authority Act.

The Act specifically excludes the Authority from the definition of "state agency" or "instrumentality" in any other law of the state unless specifically referred to in the law.

The Attorney General's Opinion dated December 23, 1992, concludes that the Authority is an agency of the state at least for certain purposes. The Opinion subjects the Authority to the Open Meetings Act and concludes that the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Opinion excludes the Authority from other sections of the Per Diem and Mileage Act, the Procurement Code and DFA vouchering requirements.

Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof.

The Authority is a governmental entity in accordance with Governmental Accounting Standard Board Statement No. 14. The Authority is a governmental entity because it was established by statute; its relationship with other governmental entities; the governmental make-up of the Authority's governing board; sources of tax revenue and can issue tax-exempt debt.

NOTE 1. ORGANIZATION (CONTINUED)

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government". The Authority is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The new reporting model focus is on either the Authority as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Authority includes only one function (infrastructure financing).

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. The Authority does not currently employ indirect cost allocation systems.

The government-wide focus is more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Totals on the business-type activities (Enterprise) fund statements match the business type activities column presented in the government-wide statements, since there are no reconciling items.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Authority's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the governmental-wide presentation.

The financial transactions of the Authority are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

The new reporting model, GASB Statement 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. Neff + Ricci LLP assisted the Authority to prepare the financial statements.

The Authority uses the following fund types:

Governmental Fund Types. The focus of governmental fund measurement (in the fund financial statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Authority.

Special Revenue Funds. The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Building Program-Cigarette Tax. This accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico cigarette taxes, for the purpose of financing building projects in New Mexico. Section 7-1-6.11, NMSA, 1978 Compilation provides for a distribution to the Authority of seven and one-eighth percent of the net receipts attributable to the cigarette tax with the first distribution made as of August 1, 1993. The cigarette tax monies were used by the Authority to finance the construction of a cancer research center and sell revenue bonds in compliance with the New Mexico Finance Authority Act in an amount of six million dollars ($6,000,000) for the purpose of designing, constructing, equipping and furnishing an addition to the Cancer Center at the University of New Mexico. The bonds were issued on July 11, 1996. The cigarette tax proceeds distributed to the New Mexico Finance Authority pursuant to Section 7-1-6.11 NMSA 1978 are appropriated to the Authority to be pledged irrevocably for the payment of the principal or interest on the bonds or any payments for refunding or redemption premiums on the bonds and for payment of the costs incurred by the Authority related to authorization, issuance and sale of the bonds.

The Laws of 1993, Chapter 358, authorizes funds in the State Building Program-Cigarette Tax, in excess of the amount necessary for payment of principal and interest on outstanding bonds and necessary reserves or sinking funds, to be transferred to any other account of the Authority as needed for purposes of the New Mexico Finance Authority Act.

Water and Wastewater Project Grant Fund. This fund was created with the passage of Senate Bill 662 during the 1999 Legislative Session. This grant fund is to use the net proceeds of the sale of bonds, pursuant to the provisions of Section 6-21-6.1 NMSA 1978, for the purposes of water and wastewater projects and payable from the public project revolving fund. Money in the water and wastewater project grant fund is appropriated to the Authority to make grants to qualified entities for water and wastewater public projects pursuant to special authorization by law for each project and to pay administrative costs of the water and wastewater project grant program.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any unexpended or unencumbered balance remaining at the end of the fiscal year shall not revert to the State's general fund. There was no sale of bonds made for this program for the year ended June 30, 2002.

Water Project Fund. This fund was created with the passage of Senate Bill 169 during the 2001 legislative session. The purpose of this fund is to provide for water use efficiency, resource conservation and protection and fair distribution and allocation of water. The Water Projects Fund was created in the Authority and consists of distributions made from the Water Trust Fund and payments of principal and interest on loans approved for water projects. The fund also consists of any other money appropriated, distributed or otherwise allocated to the fund for the purpose of supporting water projects pursuant to the provisions of the Water Projects Finance Act.

Debt Service Funds. The debt service funds are used to account for the accumulation of resources for, and the payment of general long-term obligation principal, interest, and related costs.

Administrative Fee Revenue Program (TRIMS Project). Chapter 125, Laws of New Mexico 1997 was enacted to authorize the Authority to sell up to $33,709,800 of bonds for the purpose of financing the New Mexico Taxation and Revenue Department (NMTRD) information management systems project (TRIMS Project). The TRIMS Project is an integration and updating of on-line, multi-user systems that process taxation, motor vehicle tax and fee collections, revenue distributions and information processing by the NMTRD. Revenue from NMTRD's administrative fees is pledged to repay the bonds. The Authority issued $17,440,660 of Administrative Fee Revenue Bonds Series 1997A in September 1997. The Authority issued the remaining $16,269,140 Administrative Fee Revenue Bonds Series 1999A in September 1999.

Metro Court Financing Fund. The laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. The bonds were issued on August 1, 2001. The pledged revenues for the project consist of a portion of the docketing fees and costs collected by various courts of the state, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the motor vehicle code involving the operation of a motor vehicle.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Highway 44 Financing Fund. Series 1998A Bonds were issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMSA 1978, as amended, and the Indenture. The Series 1998A Bonds were issued by the Authority to finance the cost of an infrastructure project, which includes the acquisition, construction, expansion and improvement of approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes by the New Mexico Highway and Transportation Department (NMSHTD), and are payable solely from the NMFA's rights to payments under a Loan Agreement between the NMFA and NMSHTD. $100,230,000 of Federal Highway Grant Anticipation Revenue Bonds was issued on September 1, 1998. The Obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a revenue pledge, which consists of certain revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

Forest Highway Forest Road Financing Fund. Series 2001 Bonds were issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMSA 1978, as amended, and the Indenture. The Series 2001 Bonds were issued to finance the cost of an infrastructure project, which includes the design, reconstruction, expansion and improvement of all or parts of U.S. Highway 70 (Forest Highway 34), U.S. Highway 64 (Forest Highway 9), New Mexico Highway 126 (Forest Highway 12) and New Mexico Highway 12 (Forest Highway 21) to the extent for funding as part of the Federal Lands Highway Program and the New Mexico Statewide Transportation Improvement Program by the New Mexico State Highway and Transportation Department ("NMSHTD"). The Series 2001 Bonds are payable Solely from certain of the NMFA's rights to payments under a Loan Agreement (the "Series 2001 Loan Agreement") between the NMFA and NMSHTD. The obligations of NMSHTD under the Series 2001 Loan Agreement are payable solely from and secured by a pledge of the "Pledge Revenues," which consist of certain revenues received by or on behalf of NMSHTD pursuant to Chapters 1 and 20 of Title 12, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

Workers' Compensation Financing Fund. This accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico workers' compensation assessments for the purpose of financing an office building for the Workers' Compensation Administration.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Laws of 1993, Chapter 367, Section 73, effective April 8, 1993, as amended by Laws of 1994, Chapter 91, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $3,500,000 for planning, designing, constructing, equipping and furnishing a state office building for the Workers' Compensation Administration that complies with the American with Disabilities Act of 1990. The 1994 amendment authorized the Authority to issue and sell additional revenue bonds in an amount not to exceed $2,500,000 when the property control division of the General Services Department certifies the need for issuance of the bonds. The bond proceeds are for acquiring land and making site improvements for the aforementioned state building. The parties have entered into a joint powers agreement to accomplish this purpose. $4,310,000 of bonds were issued during July 1996. The first $.40 of the workers' compensation assessment imposed pursuant to Section 52-5-19, NMSA, 1978 is distributed to the Authority and is appropriated to be pledged irrevocable for payment of principal, interest, any premium and expenses related to the issuance and sale of the bonds. Revenue distributed to the Authority shall be deposited in a special bond fund or account and any money distributed to the Authority shall be deposited in a special bond fund or account and any money remaining in the fund at the end of each calendar quarter, after all current obligations and any sinking fund requirements are met shall be transferred to the workers' compensation administration fund upon request. Also, according to the joint powers agreement in effect, any surplus bond proceeds and interest will be used for the project.

Upon payment of all principal and interest and any other obligations or expenses related to issuance of the bonds, the Authority shall certify to the Taxation and Revenue Department that all obligations have been fully discharged and direct the Department to cease payments of workers' compensation assessment fee revenue to the Authority.

State Capitol Improvement Financing Fund. The laws of 1997, Chapter 178, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $10,155,000 for the purpose of repairing, remodeling, constructing and equipping a State building located adjacent to the state capitol in Santa Fe known as the New Mexico state library and for relocation-associated renovations in the state capitol. $510,000 of revenue bonds were issued on May 17, 1999, and $8,805,000 of revenue bonds were issued on June 1, 1999, for a total outstanding of $9,315,000. Monthly, all income and distributions creditable to the capitol buildings repair fund shall be distributed by the State Treasurer to the Authority and are appropriated to the Authority to be pledged irrevocable for the payment of the bonds.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment Loan Fund. The Authority has established an equipment loan program under the Authority's legislation to assist local government entities in the financing and purchase of equipment. The Authority has issued the following Pooled Equipment Certificates of Participation. In October 1994, the Authority issued $646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were loaned to ten local governments in the state. On August 29, 1995, NMFA issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A, the proceeds of which were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued $2,904,000 aggregate principal amount of its Equipment Program Certificates of Participation, Series 1995B, the net proceeds of which were loaned to the City of Las Cruces. On December 3, 1996, the Authority issued $1,820,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation Series 1996B, the proceeds of which were loaned to various governmental entities in the state.

The loans are assigned to a trustee by the Authority and the only sources of repayment are various sources of local government revenues secured by intercept agreements and paid to the trustee. These certificates are not an obligation of the Authority. The funds are maintained by the trustees and are held in the Authority's and the local entity's names.

Insurance Department Financing Fund. The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount not to exceed $1 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance. The Legislature imposed a three dollar ($3.00) surcharge on the annual continuation of appointment fees on approximately 60,000 insurance agents subject to the fees to provide security for the bonds. On April 18, 1996, the New Mexico Insurance Department requested the Authority to issue $525,000 of the authorized bonds for acquiring information and communication equipment. The bonds were privately placed in a transaction that closed on May 23, 1996, and the proceeds were transferred to the New Mexico Department of Insurance. The pledged revenues are paid to the Authority. Pledged revenue in excess of debt service and related expenditures may be appropriated by the Legislature to the Department of Insurance for the acquisition of information and communication equipment.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Court Automation Financing Program. The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount not to exceed $8.5 million for the purpose of financing acquisition of court automation systems for the state court system, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. $8.5 million of court automation fee revenue bonds were issued on June 25, 1996. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the state, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provisions of the motor vehicle code involving the operation of a motor vehicle. The pledged revenues are paid to the Authority. Pledged revenues in excess of debt service and related expenditures may be appropriated by the Legislature to the Administrative Office of the Courts for the acquisition of court automation systems. The Bond was defeased during 2001.

Proprietary Fund Types. The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. The Authority does not apply FASB pronouncements issued after November 30, 1989, to its proprietary funds or business type activity accounting. The only proprietary fund types the Authority has are enterprise funds.

Enterprise Funds. Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services including capital costs, be recovered with fees and charges or (c) has a pricing policy designed for the fees and charges to recover similar costs.

Operating Fund. The operating fund of the Authority accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Public Projects Revolving Fund. This fund is used to account for governmental gross receipts tax (GGRT) proceeds received under the Laws of 1994, Chapter 145, Section 1. The Authority receives an amount equal to 75% of the net receipts attributable to GGRT pursuant to Section 7-1-6.1, NMSA 1978.

Of the GGRT revenues directed to the Authority's Public Project Revolving Fund, which are not used to pay debt service on PPRF obligations, an aggregate amount not to exceed 35% shall be available for appropriation by the Legislature to the following funds for local infrastructure financing: the water and wastewater grant project grant fund, the wastewater facility construction loan fund, the rural infrastructure revolving

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

loan fund, the solid waste facility grant fund, and the drinking water state revolving loan fund. The remaining GGRT revenue deposited may be granted or loaned directly by the Authority to qualified entities or "leveraged" by pledging the revenue stream to the issuance of bonds and granting, or lending, the bond proceeds. All projects to be financed must be approved by the Legislature.

New Mexico Drinking Water State Revolving Loan Fund. The New Mexico Drinking Water State Revolving Loan Fund Act (Act) creates the New Mexico Drinking Water State Revolving Loan Fund (DWRLF), which is administered by the Authority.

The Authority is charged with establishing, in cooperation with the New Mexico Environment Department, a loan program to provide local authorities with low-cost financial assistance in the construction of necessary drinking water facilities.

Money deposited into the DWRLF may be used: 1) to make loans at or below the market rate for eligible purposes for terms no longer than twenty years after completion of construction (loans for disadvantaged communities are the exception and may be for terms up to thirty years); 2) to buy or refinance a municipality's debt obligation, if combined with a new project, if the debt was incurred after July 1, 1993; 3) to guarantee or buy insurance for a local obligation to improve credit access or market rates; 4) as a source of revenue of security for the payment of principal and interest on revenue or general obligation bonds issued by the State, if the proceeds will be deposited in the DWRLF; and, 5) to earn interest on the amounts deposited into the DWRLF. The Act states further that grants from the federal government or its agencies, allotted to New Mexico for capitalization of the DWRLF, shall be directly deposited into the DWRLF and the Authority shall maintain full authority for the operation of the DWRLF, in accordance with applicable federal and state law.

Primary Care Capital Fund. The Laws of 1994, Chapter 62, created the Primary Care Capital Fund to provide funding for capital projects to eligible entities in order to increase health care services in rural and other health care under served areas in the state. The revolving fund, to be administered by the Authority, shall consist of appropriations, loan repayments, gifts, grants, donations and interest earned on investment of the fund. Money in the fund shall not revert at any fiscal year end. The State of New Mexico Department of Health, and the Authority administer the loan programs and contracts for services established pursuant to the Primary Care Capital Funding Act. The Department of Health, in conjunction with the Authority, shall adopt regulations to administer and implement the Act. Laws of 1994, Chapter 147, appropriated $5,000,000 for the Primary Care Capital Fund for rural primary care capital funding. Laws of 1994, Chapter 6, appropriated $95,000 to the Department of Health to contract with the Authority for assistance to the Department and administration of the Primary Care Capital Fund.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Office Building Financing Fund. The laws of 2001, Chapter 166 and Chapter 199, authorized the Authority to issue revenue bonds for the financing of acquisition, construction, equipping, and otherwise improving land and buildings for the General Services Department of the State of New Mexico. The initial project consists of (1) purchasing the National Educational Association Building on South Capitol Street in Santa Fe, New Mexico, (2) paying the costs of planning, designing, constructing and furnishing a new office building with integrated parking at the West Capitol Complex on Cerrillos Road in Santa Fe, New Mexico and (3) purchasing land adjacent to the District Five Office of the New Mexico State Highway and Transportation Department on Cerrillos Road in Santa Fe, New Mexico. In addition to the extent proceeds of the Bonds are not used for the projects listed in the preceding sentence, the Project may included the acquisition of the Public Employees Retirement Association Building on Paseo de Peralta in Santa Fe, New Mexico. The General Services Department of the State is responsible for obtaining any required approvals to proceed with the project and to negotiate the purchases of a portion of the project and to pursue the completion of the project. The Director of the Property Control Division of the General Services Department has certified that the project is needed and can be completed within a reasonable time. Planning and negotiations have begun by the Property Control Division to complete the project.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authorities enterprise funds are charges to customers for interest and fees. Operating expenses for enterprise funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Basis of Accounting. Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements and the proprietary financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrual. The enterprise funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual. All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient. The Authority was unable to reasonably estimate the amount of revenue earned but not yet received by the Taxation and Revenue Department by the June 30 year end. As a result, the amount is not included as revenue in the financial statements.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer, Wells Fargo and with banks acting as bond trustees. Cash in the various programs on deposit with the State Treasurer are invested by the New Mexico State Treasurer in the "overnight" repurchase program.

Interest is credited to the various programs based on the programs average monthly balance. Average monthly interest rates are also used in determining the interest to be credited to the various programs. In general, state statues require that all deposits held by the State Treasurer be collateralized at a minimum level of 50%. Separate financial statements of the State Treasurer indicate collateral, categories of risk and market value of purchased investments which may differ from the cash deposited by the Authority. Funds held by the banks and the Authority acting as trustees are invested in money market accounts that invest in United States Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. State law requires that repurchase agreements be secured by collateral with a market value greater then 102% of the value of the agreement.

Money in all funds of the Authority may be deposited with the State Treasurer for short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico or any political subdivision of the State or as otherwise provided by the trust indenture or bond resolution, if funds are pledged for or secure payment of bonds issued by the Authority.

Securities. The Authority has purchased State of New Mexico Department of Energy, Minerals and Natural Resources, Jemez Springs, and New Mexico Interstate Stream Commission bonds which are recorded at cost which approximates market value.

Loans. Loans are stated at their principal amount. Interest on loans is accrued for based on the daily principal balance outstanding except when a loan has been past due for 90 days. All significant loans are to governmental entities secured by tax revenue or are loaned to other entities, which are repaying the loans in accordance with their loan agreements. There are no loans past due for more than 90 days at the end of the fiscal year, which would be required to be placed on nonaccrual status.

Allowance for Loan Losses. The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors; including collateral value, past loan loss experience, current facts, and economic conditions. The allowance is based on management's estimates and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and, any necessary adjustments are reported in income in the period they become known.

Property, Furniture and Equipment. Property, furniture and equipment purchased or acquired at a value of $1,000 or greater are capitalized. Property, furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment purchases with useful lives over one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets which range from 3 to 7 years. In addition, furniture and equipment with lives of one year or less, and maintenance and repairs, which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

Income Taxes. The Authority is a tax exempt, quasi-governmental organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Authority is subject to other Internal Revenue Code sections relating to the tax-exempt status of the bonds issued by the Authority.

Accrued Compensated Absences Payable. Full-time employees are entitled to ten days annual leave with four years or less employment with the Authority. Employees with more than four years receive fifteen days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Full-time employees are entitled to twelve days of sick leave each fiscal year. Part-time employees accrue annual leave and sick leave on a prorated basis based on the number of hours they work. A full-time employee may receive cash payment at a rate of 50% of their hourly wage for any accrued sick leave in excess of forty hours up to a maximum of one hundred twenty hours on the first full pay period in July. An employee may accrue a maximum of 1,040 hours. Accumulated sick leave is not compensated on termination of employment unless the employees retire. Then the employee can be paid for accrued sick leave in the excess of 600 hours at 50% of their hourly wage rate, not to exceed 440 hours. Accrued compensated absences are recorded in the operating fund.

Budgets and Budgetary Accounting. The Authority prepares a budget for the operations fund and for the DWRLF. Theses budgets are approved by the Authority's board but are not legally binding. The budgets are also amended by the Authority's board. The budgets are prepared on a non-GAAP basis. The differences between the accounting on a budgetary basis and GAAP basis are that capital outlay is a budgetary expenditure and depreciation expense is not a budgetary expenditure.

Restricted Assets. Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or legislation. The cash and cash equivalents held for others by trustees have the following restricted assets. The "debt service and bond reserve" accounts are used to report resources held by trustee and set aside for future debt service payments. The "program-grant proceeds" account is used to report those proceeds of bond issuances that were issued to financial a grant to another state agency. The "program-bond proceeds" account is used to report those proceeds of bond issues that were loaned to other governmental entities, which the borrowers have not yet expended. The "cash and cash equivalents held for others by the Authority" account is used to segregate bond proceeds that will be used for specific purposes as required by legislation. "Cash and cash equivalent pledged for repayment of bonds and bond expenses held by trustee" is used to report funds set aside for debt repayment, bond issuance, and other costs by the Authority.

Cash Flows. For purposes of the Statement of Cash Flows, the various funds consider all highly liquid assets (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond Discounts, Premiums and Issuance Costs. In governmental fund types, bond discounts, premiums and issuance costs are recognized in the current period. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity. Reserves represent those portions of fund equity appropriated or legally segregated for a specific future use. Debt service fund balances are reserved based on the language in the trust agreements which require the bond proceeds be used for the specific purposes of the fund. Special revenue funds are reserved based on the statutory or bond trust restrictions.

Net Assets. The government-wide and business types Fund Financial Statements utilize a net asset presentation. Net Assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

Investment in fixed assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority has no capital asset related debt.

Restricted assets are liquid assets which have third-party (statutory, bond covenant or granting agency) limitations on their use when there is an option, the Authority spends restricted resources first.

Unrestricted assets represent liquid assets.

Use of Estimates. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statement and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund and Interagency Transactions. Interfund and Interagency Transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other Interfund transactions, except reimbursements and administrative fee transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Interagency transfers are recorded as operating transfers in (out) to other state agency under the other financing sources (uses) category.

NOTE 3. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE

Funds held for other and short-term investments are held at the trustees in the name of the applicable government entity and the Authority's. The following is a reconciliation of cash and cash equivalents to the financial statements.

Cash and cash equivalents:	
State Treasurer cash account (#879-385-04)	$ 1,767,240
State Treasurer Local Government Investment Pool	172,318,113
Money market accounts invested in American Performance U.S. Treasury Fund	33,121,103
Repurchase agreements	45,812,410
Wells Fargo bank accounts	440,759
	$ 253,459,625

The Authority's deposits are categorized to give an indication of the level of risk assumed by the Authority at year end. Category 1 includes deposits that are insured. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 represents deposits that are required by state statutes to be collateralized at a minimum level of 50%. All of the Authority's bank accounts are invested in repurchase agreements. Deposits with the State Treasurer are not required to be categorized.

	Category			Bank	Book
	1	2	3	Balance	Balance
Bank repurchase agreements	$ -	440,710	-	440,710	440,759

The New Mexico State Treasurer's Office is responsible to ensure that all accounts held by any bank for all State governmental entities have collateral at the required level for amount in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Authority.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10 F, NMSA 1978, at the end of each month all interest earned is distributed by the State

NOTE 3. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE (CONTINUED)

Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary. The investments are valued at fair value based on quoted market prices as of the valuation date.

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured or unregistered investments, or for which securities are held by the counter party's trust department or agent in the Authority's name. The Authority does not have any Category 2 investments. Category 3 represents uninsured and unregistered investments, not held in the Authority's name. The Authority does not have Category 3 investments. The fair value of the Authority's investments approximates market at June 30, 2002.

Funds held for others by trustees represent funds held by financial institutions as trustees and paying agents for the Authority for its various bond issues. The source of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts which invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations. The Authority's investments are held by financial institutions in the Authority's name.

NOTE 4. LOANS RECEIVABLE

Loan receivable balances consist of the following at June 30, 2002:

Entity	Loan Balance
Proprietary funds	
Public Project Revolving Loan Fund	$ 141,883,037
Less:	
Allowance for loan losses	(819,658)
	141,063,379
Primary Care Capital Fund	5,251,027
Drinking Water State Revolving Loan Fund	13,106,096
	159,420,502
Debt service funds	
Highway 44 Financing Fund	95,385,000
Federal Highway Forest Road Financing Fund	18,771,445
	114,156,445
	$ 273,576,947

NOTE 4. LOANS RECEIVABLE (CONTINUED)

Public Project Revolving Loan Fund

The Public Project Revolving Fund loans receivable balance at June 30, 2002, is $141,883,037 and consists of loans made to various entities.

Terms for the Public Project Revolving Loans vary with interest rates ranging from 3% to 6%. The following is a summary of future loan principal and interest to be collected based on the loan repayment schedules after year-end:

	Principal	Interest	Total
July 1, 2002 to June 30, 2007	$ 56,552,083	30,279,649	86,831,732
July 1, 2007 to June 30, 2012	42,433,216	19,961,350	62,394,566
July 1, 2012 to maturity	42,897,738	15,722,497	58,620,235
	$141,883,037	65,963,496	207,846,533

An analysis for the allowance for loan losses is as follows:

Balance, beginning of year	$ 411,804
Provision for loan losses	407,854
Balance, end of year	$ 819,658

Management considers non-accrual loans to be impaired. As of June 30, 2002 there are no non-accrual loans. Based on management's analysis, there are no other impaired loans as of June 30, 2002.

Primary Care Capital Fund. Terms for each loan vary with interest rates at 3%. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year end.

	Principal	Interest	Total
July 1, 2002 to June 30, 2007	$ 1,620,513	705,251	2,325,764
July 1, 2007 to June 30, 2012	1,934,163	453,466	2,387,629
July 1, 2012 to maturity	1,696,351	54,065	1,750,416
	$ 5,251,027	1,212,782	6,463,809

No allowance for uncollectible loans has been established as the primary care facilities and loan repayments are secured by applicable sources of pledged receivables.

NOTE 4. LOANS RECEIVABLE (CONTINUED)

Drinking Water State Revolving Loan Fund. Terms for the Drinking Water State Revolving Loans vary with interest rates ranging from 0% to 3%. The following is a summary of future loan principal and interest to be collected based on the loan repayment schedules after year end:

	Principal	Interest	Total
July 1, 2002 to June 30, 2007	$ 3,509,604	1,627,660	5,137,264
July 1, 2007 to June 30, 2012	4,211,480	1,207,326	5,418,806
July 1, 2012 to maturity	5,385,012	888,772	6,273,784
	$ 13,106,096	3,723,758	16,829,854

No allowance for uncollectible loans has been established as the Drinking Water Loans are secured by applicable sources of pledged receivables.

Highway 44 Financing Fund

The Highway 44 Financing Fund consists of one loan receivable with the New Mexico State Highway Department for $95,385,000 at June 30, 2002. Terms for the loan include an interest rate of 5.04%. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year end.

	Principal	Interest	Total
July 1, 2002 to June 30, 2007	$ 27,460,000	19,576,639	47,036,639
July 1, 2007 to June 30, 2012	34,030,000	12,747,172	46,777,172
July 1, 2012 to maturity	33,895,000	3,360,679	37,255,679
	$ 95,385,000	35,684,490	131,069,490

No allowance for uncollectible loans has been established as the State Highway Department is current on their payments and loan repayments are secured by applicable sources of tax revenues.

Federal Highway Forest Road Financing Fund. The Federal Highway Forest Road Financing Fund consists of one loan receivable with the New Mexico State Highway Department for $18,771,445 at June 30, 2002. Terms for the loan include an interest rate of 4.697%. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year end:

	Principal	Interest	Total
July 1, 2002 to June 30, 2007	$ 7,730,000	3,633,163	11,363,163
July 1, 2007 to June 30, 2012	11,041,445	1,382,285	12,423,730
	$ 18,771,445	5,015,448	23,786,893

NOTE 5. SECURITIES

At June 30, 2002, securities for the Public Project Revolving Fund (PPRF) consisted of $112,106,980 Department of Energy, Minerals, and Natural Resources Bonds (Series 1995A, 1995B, 1996A, 1996B, 1997A, 1997B, 1998A, and 1998B). $44,488 of Jemez Springs Bonds and $1,332,394 of Interstate Stream Commission Bonds (Series 1998). The Department of Energy, Minerals, and Natural Resource Bonds have interest rates ranging from 3% to 5.95% with final maturity on June 1, 2017. The Jemez Springs Bonds have interest rates ranging from 4.20% to 5.45% with a final maturity on May 1, 2012. The New Mexico Interstate Stream Commission Bonds have interest rates ranging from 5.92% to 6.19% with final maturity on May 1, 2008. The securities are carried at cost which approximates market value.

The following is a summary of future maturity and interest to be collected based on contractual maturity of the securities after year-end.

	Principal	Interest	Total
July 1, 2002 to June 30, 2007	$ 4,880,716	3,525,832	8,406,548
July 1, 2007 to June 30, 2012	5,045,050	2,250,594	7,295,644
July 1, 2012 to maturity	5,558,096	887,292	6,445,388
	$ 15,483,862	6,663,718	22,147,580

NOTE 6. DUE FROM/TO OTHER FUNDS AND TRANSFERS

These amounts represent interfund receivables and payables arising from interfund transactions within the Authority. These balances are netted as part of the reconciliation to the government-wide columnar presentation. Interfund receivables and payables as of June 30, 2002 consist of the following:

	Due To	Due From
Special Revenue Funds:		
Water and Wastewater Grant Fund	$ 2,821,813	2,594
Water Trust Board	73,413	513
	2,895,226	3,107
Enterprise Funds:		
Operations Fund	-	236,387
Public Project Revolving Fund	100,000	2,818,706
Drinking Water	62,974	-
	162,974	3,055,093
	$ 3,058,200	3,058,200

NOTE 6. DUE FROM/TO OTHER FUNDS AND TRANSFERS (CONTINUED)

The transfers between funds for the year ended June 30, 2002 consisted of a transfer from the Cigarette Tax Fund to the Operations Fund to fund the operations of the Authority in the amount of $551,096.

NOTE 7. DUE TO OTHER STATE AGENCIES, GRANTS AND TRANSFERS

During the 1996 fiscal year, the Authority granted the State of New Mexico Environment Department (Environment) $9,000,000 from the bond proceeds of the Public Project Revolving Fund Series 1995A and 1995B bonds, and during the 1997 fiscal year, the Authority granted $16,000,000 from the bond proceeds of the Public Project Revolving Fund Series 1996A and B bonds issued under the Authority's legislation and joint powers agreement with Environment. The Environment grant bond proceeds and interest income earned totaling $4,257,689 are accounted for in the Public Project Revolving Fund balance sheet under restricted assets as cash and cash equivalents held for state agency and due to state agencies.

The following debt service funds transferred these amounts from the applicable bond proceeds to these entities for the year ended June 30, 2002:

> Worker Compensation Financing Fund transferred $1,175,096 in order to rebate excess debt service funds back to the entity.
>
> The Insurance Department Financing Fund transferred $725,000 in order to rebate excess debt service funds back to the entity.
>
> Court Automation Financing Fund transferred $56,341 in order to rebate excess debt service funds back to the entity.
>
> The Metro Court Financing Fund transferred $3,242,385 to the Metro Court Administrator as a rebate of excess debt service funds and $20,463,930 for the construction and equipping of the new Bernalillo County Metropolitan Court Building.

NOTE 8. FIXED ASSETS

The capital asset activity for the year is as follows:

		Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Enterprise Funds:					
Depreciable assets:					
Furniture, fixtures and equipment at historical cost	$	232,459	20,501	(13,540)	239,420
Net fixed					
Less accumulated depreciation:					
Furniture, fixtures and equipment	$	199,250	22,026	(13,540)	207,736
Capital assets, net	$	33,209	(1,525)	-	31,684

There are no capital assets in the governmental funds.

Depreciation expense was $9,728 in the Operations Fund, $3,670 in the Public Projects Revolving Fund, and $8,628 in the DWRLF for the year ended June 30, 2002.

NOTE 9. BONDS PAYABLE

Bonds outstanding as of June 30, 2002, for the Authority's enterprise funds consist of:

Public Project Revolving Funds.

Series 1995A and 1995B. In July 1995, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1995A and Taxable Series 1995B in the aggregate principal amounts of $41,230,000 and $4,000,000, respectively.

Series 1996A and 1996B. In September 1996, the Authority issued its Public Project Revolving Fund, Series 1996A and 1996B in the aggregate principal amounts of $17,625,000 and $3,500,000, respectively. The proceeds of such bonds were used to make loans to numerous governmental entities and to purchase bonds from the Department of Energy, Minerals and Natural Resources. A portion of the proceeds of such bonds were used to make a $9,000,000 grant in 1996 and a $16,000,000 grant in 1998 to the Environment Department in exchange for a pledge of the Environment Department's share of certain moneys to the Authority to repay all outstanding public project revolving fund bonds.

NOTE 9. BONDS PAYABLE (CONTINUED)

Series 1997A. On December 1, 1997, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1997A in the aggregate principal amount of $8,585,000. The Series 1997A Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1998 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1997A Bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources as investment securities.

Series 1999A, 1999B, 1999C, and 1999D. On January 1, 1999, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1999A and 1999B (tax-exempt) and Series 1999 and 1999D (taxable) in the aggregate amount principal amounts of $13,135,000, $3,025,000, $2,265,000, and $4,875,000, respectively. The Series 1999 Bonds were issued by the Authority to reimburse the Public Project Revolving Loan Fund for loans made to the 1999 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1999 bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources and the New Mexico Interstate Stream Commission's investment securities. All of the bonds are secured from the Authority's portion of governmental gross receipts tax and income and principal from the loans and investments financed by the proceeds of the issue.

Series 2000A. On January 1, 2000, the Authority issued its Public Project Revolving Fund, Series 2000A in the aggregate principal amount of $4,715,000 to finance a loan to Valencia County, New Mexico, to construct, purchase, furnish, and equip an adult correctional facility for the County and to finance the cost of issuance of the Series 2000A Bonds.

Series 2000B and C. On September 1, 2000 the Authority issued $7,670,000 of Public Project Revolving Fund series B and $28,850,000 series C bonds. The series 2000B and C were issued to reimburse the Public Project Revolving Fund for loans made by the NMFA to various Governmental Units and to reimburse the NMFA for and to finance the costs of issuance of the Series 2000B and C bonds.

State Office Building Financing Fund. The laws of 2001, Chapter 166 and Chapter 199, authorized the Authority to issue revenue bonds for the General Services Department (GSD) of the State of New Mexico. The State Office Building Tax Revenue Bonds Series 2002A were issued on December 15, 2001, for the purpose of financing the costs of acquiring, constructing, equipping, and otherwise improving land and buildings for the GSD. The Series 2002A Bonds

NOTE 9. BONDS PAYABLE (CONTINUED)

are payable from and secured only by amounts on deposit in the Authority's State Office Building Fund, which consists of money appropriated and transferred to the Fund from the net receipts attributable to the gross receipts tax of the State in the amount of $500,000 per month.

Bonds outstanding as of June 30, 2002, to be paid out of the Authority's debt service funds consist of the following:

Workers' Compensation Financing Fund. In July 1996, the Authority sold $4,310,000 of New Mexico Finance Authority Workers' Compensation Administration Building Revenue Bonds Series 1996. The proceeds are for the acquisition of land and construction of an office building for the Workers' Compensation Administration. The bonds are solely payable from the revenues derived from the first $.40 of the quarterly workers' compensation assessment paid to the Authority.

Special Cigarette Tax Revenue Bonds. In July 1996, the Authority sold $6,000,000 of Special Cigarette Tax Revenue Bonds as part of the internal service fund cigarette tax program. The purpose of the bonds are for the designing, constructing, equipping and furnishing an addition to the University of New Mexico Cancer Center. The bonds are secured by the Authority's cigarette tax revenue.

Insurance Department Financing Fund. On May 23, 1996, the Authority issued $525,000 of New Mexico Finance Authority Insurance Department Surcharge Revenue Bonds, which *was* refunded on December 1, 1998 and reissued at $400,000, to finance information and communication equipment for the New Mexico Department of Insurance. A $3 surcharge on insurance agents annual fee is the only pledged revenue source for the repayment of the bonds and is paid to the Authority.

Administrative Fee Revenue Program Fund (TRIMS Project) Series 1997A and 1999A. On September 11, 1997 and September 20, 1999, the Authority issued $17,440,660 and $16,269,140 of New Mexico Finance Authority (TRIMS Project) revenue bonds, respectively. The bonds were issued to finance an information management system to assist in tax collections to be used by the New Mexico Taxation and Revenue Department (NMTRD). The principal and interest on the bonds are payable solely from and secured solely by the pledged revenues, which include revenues from administrative fees payable to and withheld by NMTRD from collections of municipal and country local option gross receipts taxes, and administrative fees from collections of solid waste assessment fees, boat excise tax and registration fees, tax intercept payments and water conservation fees, as well as proceeds of bonds and investment earnings on the proceeds and revenues.

NOTE 9. BONDS PAYABLE (CONTINUED)

Highway 44 Financing Fund. On September 1, 1998, the Authority issued \$100,230,000 of Federal Highway Grant Anticipation Revenue Bonds. The bonds were issued to finance the cost of an infrastructure project, which includes the acquisition, construction, expansion and improvement of approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes by the New Mexico State Highway and Transportation Department (NMSHTD), and are payable solely from the Authority's rights to payments under a Loan Agreement between the Authority and NMSHTD. The obligations of NMSHTD under the Loan Agreement are payable solely from and secured by a pledge, which consist of revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

State Capitol Improvement Financing Fund. On May 11, 1999, the Authority issued \$9,315,000 of New Mexico Finance Authority State Capitol Building Improvement Revenue Bonds, Taxable Series 1999. The Bonds were issued for the purpose of repairing, remodeling, constructing and equipping the New Mexico State Library and for relocation associated renovations in the State Capitol.

Federal Highway Forest Road Financing Fund. On February 1, 2001, the Authority issued \$18,535,000 of New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds, Series 2001. The Bonds were issued for the purpose of financing the cost of an infrastructure project, which includes the design, reconstruction, expansion and improvement of all or parts of U.S. Highway 70 (Forest Highway 34), U.S. Highway 64 (Forest Highway 9), New Mexico Highway 126 (Forest Highway 12) and New Mexico Highway 12 (Forest Highway 21).

Metro Court Financing Fund. The laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. On August 1, 2001, the Authority issued \$21,600,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001A (Tax Exempt), and \$11,400,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001B (Taxable). The Series 2001A Bonds were issued by the Authority for the purpose of financing the acquisition of real property for the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court and to finance the costs of issuance of the Series 2001A Bonds. The taxable Series 2001B Bonds were issued by the Authority for the purpose of financing the acquisition of land for, and the design, construction, furnishing and equipping of a parking facility adjacent to the new Bernalillo County Metropolitan Court and to finance the costs of issuance of the taxable Series 2001B Bonds. As a subsequent event (Note 16) the second installment of bonds were issued on September 1, 2002, in the amount of \$24,900,000.

NOTE 9. BONDS PAYABLE (CONTINUED)

Equipment Loan Fund. The Authority has issued Certificates of Participation under the Equipment Loan Program. The proceeds are loaned to various governmental entities to purchase equipment. The loans have been assigned to trustees. The certificates are secured by various sources of local government revenues secured by intercept agreements which direct sources of revenues from the borrowers to the trustees. The certificates are not an obligation of the State of New Mexico or the Authority.

In October 1994, the Authority issued $646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were used to make loans to ten local governments in the State. On August 29, 1995, the Authority issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A. The proceeds were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued 2,904,000 aggregate principal amount of its Equipment Program Certificates of participation, Series 1995B. The net proceeds were loaned to the City of Las Cruces. On March 19, 1996, the Authority issued $1,458,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1996A. The net proceeds were loaned to thirteen local governmental entities in the state. On December 3, 1996, the Authority issued $1,820,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation Series 1996B. The net proceeds were loaned to various governmental entities in the state. Interest rates on the equipment loans range from 4.5% to 6.3%.

Bonds outstanding are direct obligations of the Authority for which its full faith and credit are pledged and are payable from pledged tax revenues of various entities. Total interest expense incurred on bonds in the enterprise funds and the debt service funds were $6,874,166 and $8,529,495, respectively, for the year ended June 30, 2002.

Bonds payable balances consist of the following at June 30, 2002:

	Amount	Interest Rate	Final Maturity
Enterprise funds			
PPRF 1995A and B	$ 30,289,193	4.65-6.45	June 1,2023
PPRF 1996A and B	14,188,656	4.40-6.00	July 1, 2021
PPRF 1997A	6,969,448	4.25-4.90	June 1, 2017
PPRF 1999A, B, C and D	18,850,761	3.30-6.30	June 1, 2018
PPRF 2000A	3,760,000	4.10-5.30	June 1, 2009
PPRF 2000B and C	28,739,021	4.75-5.50	June 1, 2030
State Office Building Financing Fund	34,070,405	4.00-5.00	June 1, 2021
	136,867,484		

NOTE 9. BONDS PAYABLE (CONTINUED)

	Amount	Interest Rate	Final Maturity
To be paid out of Debt Service funds			
Special Cigarette Tax Revenue Bond	$ 2,400,000	4.80-5.25%	June 1, 2006
Workers Compensation Financing Fund	3,635,000	5.00-5.60	Sept. 1, 2016
Insurance Department Financing Fund	65,000	3.75-4.00	June 15, 2003
Administration Fee Revenue Program	19,099,600	(a)	July 1, 2007
Highway 44 Financing Fund	95,385,000	3.95-5.52	Sept. 1, 2015
State Capitol Improvement Financing Fund	8,285,000	7.00	March 15, 2015
Federal Highway Forest Road Financing Fund	18,535,000	4.75-5.50	September 1, 2011
Equipment Loan Fund	3,361,000	4.50-6.30	Various
Metro Court	33,000,000	5.10-6.25	June 15, 2025
	183,765,600		
Bond premium and discount, net on debt service funds	1,908,226		
Total debt service	185,673,826		
Total	$ 322,541,310		

(a) Interest on the bonds will be paid at the lesser of (a) a weekly rate or long-term interest rates as selected by the Authority and as determined in accordance with the First Supplemental Indenture and (b) the maximum rate, or, when a letter of credit secures the payment of the bonds, such lower maximum rate as may be specified in the letter of credit. Interest will initially be payable at a weekly rate, as set forth in the First Supplemental Indenture. The Authority may change the interest rate determination method to a long-term interest rate mode. Such a change will result in the bonds becoming subject to mandatory tender for purchase on the effective date of such change. While there exists an Event of Default under the indenture, the interest rate of the bonds will be the rate on the bonds on the day before the event of default occurred. At no time will the bonds bear interest at a rate in excess of 12%.

NOTE 9. BONDS PAYABLE (CONTINUED)

The requirements to amortize the bonds outstanding are as follows:

	Principal	Interest	Total
2003	$ 22,295,000	16,416,187	38,711,187
2004	22,410,000	15,273,507	37,683,507
2005	22,915,000	14,133,233	37,048,233
2006	23,780,000	12,963,351	36,743,351
2007	20,923,828	11,867,604	32,791,432
2008-2012	94,601,000	45,008,247	139,609,247
2013-2017	72,849,000	21,624,376	94,473,376
2018-2022	29,025,000	8,407,645	37,432,645
2023-2027	12,997,645	1,711,806	14,709,451
2028-2030	744,837	88,740	833,577
	$ 322,541,310	147,494,696	470,036,006

The bonds payable activity for the year is as follows:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Enterprise Funds	$112,614,838	34,695,000	(10,442,354)	136,867,484
Debt Service Funds	161,807,054	33,000,000	(9,133,228)	185,673,826
	$274,421,892	67,695,000	(19,575,582)	322,541,310

NOTE 10. OPERATING LEASES

The Authority is committed under various lease agreements for office space, copying equipment and a vehicle. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2002 amounted to approximately $106,925. Future minimum lease payments for these leases are as follows:

Year Ending June 30	
2003	$ 108,196
2004	105,007
2005	99,106
2006	19,467
2007	408
	$ 332,184

NOTE 11. RETIREMENT PLAN

The Authority had established its own retirement plan since it cannot participate through the Public Employees Retirement Act (PERA) multiple employer public retirement system. The Authority also does not participate in the Retiree Health Care Act. This retirement plan was organized under Section 408(k) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make a voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested and the Authority contributions will vest 100% to the employee after five years. The contributions are invested in various mutual funds. The Authority's contributions for this retirement plan were approximately $91,277, $99,700, and $80,000 for the years ended June 30, 2002, 2001, and 2000, respectively. Substantially all full time employees participate in this plan.

NOTE 12. BUDGETARY INFORMATION

The Authority budgets the Operations Fund, and the DWRLF of the Enterprise Funds. The following budgetary information is for the period ended June 30, 2002, (Non-GAAP Budgetary Basis):

Enterprise Fund - Operations

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Administrative fees	$ 580,410	584,076	3,666
Interest income	-	7,911	7,911
Total revenues	580,410	591,987	11,577
Operating transfer in	447,065	551,096	104,031
Total revenues and transfer in	$ 1,027,475	1,143,083	115,608

NOTE 12. BUDGETARY INFORMATION (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personnel services	$ 510,992	533,560	(22,568)
Employee benefits	211,860	193,389	18,471
In-state travel	15,955	20,159	(4,204)
Maintenance and repairs	7,213	9,674	(2,461)
Office supplies	17,013	19,824	(2,811)
Contractual services	118,392	89,225	29,167
Operating costs	115,965	113,171	2,794
Out-of-state travel	10,500	3,563	6,937
Total current expenditures	1,007,890	982,565	25,325
Capital outlay	19,585	9,916	9,669
Total expenditures	$ 1,027,475	992,481	34,994

Reconciliation of budgetary basis to GAAP:	
Excess of revenues and other sources over expenditures	$ 150,602
Less: Prior year accruals	(16,764)
Plus: Current year accruals	5,426
Less: Depreciation	(9,728)
Plus: Capital outlay capitalized	9,916
Net income per proprietary funds statement of revenue	$ 139,452

NOTE 12. BUDGETARY INFORMATION (CONTINUED)

Enterprise Fund - DWRLF

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Grant revenue	$ 508,958	12,137,422	11,628,464
Interest	-	256,054	256,054
Total revenues	$ 508,958	12,393,476	11,884,518

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personnel services	$ 138,079	92,628	45,451
Employee benefits	57,248	33,620	23,628
In-state travel	6,477	4,041	2,436
Maintenance and repairs	3,219	1,500	1,719
Office supplies	5,297	1,889	3,408
Contractual services	253,128	186,222	66,916
Operating costs	31,336	22,206	9,130
Out-of-state travel	8,550	1,576	6,974
Total current expenditures	503,334	343,682	159,652
Capital outlay	5,624	2,310	3,314
Total expenditures	508,958	345,992	162,966
Transfers		2,190,445	
Total expenditures and transfers		2,536,437	

Reconciliation of budgetary basis to GAAP:	
Excess of revenues over expenditures	$ 9,857,039
Less: Prior year accruals	(237,022)
Plus: Current year accruals	423,279
Less: Depreciation	(8,628)
Plus: Capital outlay	2,310
Net income per proprietary funds statement of revenue	$ 10,036,978

NOTE 13. CONTINGENCIES

The Authority is exposed to various risks of loss for which the Authority carries insurance (Auto; Employee Fidelity Bond; General Liability, Civil Rights; Property; and Worker's Compensation) with the State of New Mexico Risk Management Division and with private insurance companies.

The Authority is not subject to any legal proceedings, claims or liabilities at June 30, 2002.

NOTE 14. CUMULATIVE EFFECT AS A RESULT IN CHANGE OF ACCOUNTING PRINCIPLE

As a result of the Authority adopting GASB 34 certain funds were reclassified. This cumulative effect of the change in accounting principle resulted from the change in accounting basis, primarily from bonds payable. The amounts of the restatement are reflected in the fund financial statements.

NOTE 15. SUBSEQUENT EVENTS

After June 30, 2002, the Authority issued the following debt:

Metro Court Financing Fund. The laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. On September 1, 2002, the Authority issued the second installment of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2002 (Tax Exempt), in the amount of $24,900,000 (no taxable bonds were issued) The Series 2001 Bonds were issued by the Authority for the purpose of financing the acquisition of real property for the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court and to finance the costs of issuance of the Series 2001A Bonds. The taxable Series 2001B Bonds were issued by the Authority for the purpose of financing the acquisition of land for, and the design, construction, furnishing and equipping of a parking facility adjacent to the new Bernalillo County Metropolitan Court and to finance the costs of issuance of the taxable Series 2001B Bonds.

NOTE 15. SUBSEQUENT EVENTS (CONTINUED)

Public Project Revolving Fund. On July 2, 2002, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 2002A, in the aggregate principal amount of $55,610,000. The Series 2002A Bonds were issued to reimburse the Public Project Revolving Fund for; (1) loans made by the Authority to various Governmental Units, (2) provide funding for, and to reimburse the Public Project Revolving Fund for water and wastewater grants and water and wastewater planning grants, and (3) reimburse the Authority for and to finance the costs of issuance of the Series 2002A Bonds.

After June 30, 2002, through October 22, 2002, the Authority issued the following PPRF Direct Loans, Water Wastewater Grants, Emergency Drought Relief Grants, and Primary Care Loans:

Direct Cash Loans	Closing Date		Amount
Dexter Schools	7/19/2002	$	520,000
Village of Milan	7/26/2002		690,000
City of Socorro	7/26/2002		526,185
Cibola County	7/26/2002		8,025,669
Village of Los Lunas	7/26/2002		217,375
Lea Soil & Water	7/26/2002		304,190
Texico Municipal Schools	8/2/2002		6,000,000
City of Rio Rancho	8/9/2002		1,371,188
Truth or Consequences School District 6	8/16/2002		1,500,000
Village of Milan	8/16/2002		112,631
Mora County	9/6/2002		69,700
City of Roswell	9/13/2002	$	559,444
Tucumcari (interim)	9/20/2002		70,000
County of Socorro	9/20/2002		124,000
Village of San Juan (interim)	9/27/2002		35,000
Village of Tularosa (interim)	9/27/2002		107,000
City of Socorro	9/27/2002		308,461
City of Albuquerque Stadium	10/4/2002		6,000,000
Hatch Municipal School District 11	10/4/2002		700,000
City of Espanola	10/11/2002		1,305,915
Village of Cloudcroft (interim)	10/18/2002		150,000
Total direct loans		$	28,696,758

NOTE 15. SUBSEQUENT EVENTS (CONTINUED)

Direct Cash Loans	Closing Date		Amount
Water Wastewater Grants			
Cerro West MDW	7/8/2002	$	22,261
City of Belen	7/26/2002		300,000
Jemez Springs	7/26/2002		729,000
Miami MDWCA	8/2/2002		178,200
Oro Grande MDWCA	8/9/2002		361,600
Wagon Mound MDWCA	8/9/2002		300,000
City of Sunland Park	8/16/2002		2,520,000
Quemado MDWCA	8/16/2002		657,000
Alcalde MDWCA	9/6/2002		98,900
City of Grants	9/20/2002		936,091
Village of Questa	10/4/2002		33,000
Village of San Juan	10/4/2002		900,000
Village of Willard	10/18/2002		90,000
Total water wastewater grants		$	7,126,052
Emergency drought relief			
Mosquero	7/15/2002	$	11,000
Village of Tularosa	7/15/2002		44,502
City of Santa Fe	7/31/2002		819,910
Village of Cloudcroft	9/9/2002		112,000
City of Bloomfield	9/13/2002		152,750
Northstar DWC	10/9/2002		130,296
Total drought relief grants		$	1,270,458
Primary care loans			
El Pueblo Health Services	9/26/2002	$	77,925

NEW MEXICO FINANCE AUTHORITY
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2002

	Workers' Compensation Financing Fund	Insurance Department Financing Fund
ASSETS		
Cash and cash equivalents	$ 587,772	1,321,772
Tax revenue receivable	6,040	64,244
Interest receivable	-	-
Due from other funds	-	-
Loans receivable	-	-
Securities	-	-
Depreciable property and equipment, net	-	-
	593,812	1,386,016
Restricted Assets:		
Cash and cash equivalents held for others by trustee:		
Debt service	-	-
Bond reserve	125,052	-
Expense fund	-	-
Program - Grant proceeds for other state agency	71,062	-
Program - Bond proceeds	361,900	-
Total restricted assets	558,014	-
Total assets	$ 1,151,826	1,386,016
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	$ -	-
Debt service payable	-	-
Notes payable	-	-
Funds held for others	-	-
Due to other state agencies	153,720	9,047
Due to other funds	-	-
Bonds payable	-	-
Interest payable	-	-
Total liabilities	153,720	9,047
Fund balances (deficit) - reserved for:		
Debt service	998,106	1,376,969
Total fund balances	998,106	1,376,969
Total liabilities and fund balances	$ 1,151,826	1,386,016

Court Automation Financing Fund	State Capitol Improvement Financing Fund	Equipment Loan Fund	**Other Governmental Funds**
$ 33,112	256,013	-	**2,198,669**
-	82,555	391,331	**544,170**
-	-	-	**-**
-	-	-	**-**
-	-	-	**-**
-	-	-	**-**
-	-	-	**-**
33,112	338,568	391,331	**2,742,839**
-	-	231,206	**231,206**
-	-	-	**125,052**
-	-	36	**36**
1,168	4,095	-	**76,325**
-	-	-	**361,900**
1,168	4,095	231,242	**794,519**
$ 34,280	342,663	622,573	**3,537,358**
$ 5,182	-	-	**5,182**
-	80,263	194	**80,457**
-	-	-	**-**
-	-	-	**-**
21,296	161,624	-	**345,687**
-	-	-	**-**
-	-	-	**-**
-	-	-	**-**
26,478	241,887	194	**431,326**
7,802	100,776	622,379	**3,106,032**
7,802	100,776	622,379	**3,106,032**
$ 34,280	342,663	622,573	**3,537,358**

NEW MEXICO FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	Workers' Compensation Financing Fund	Insurance Department Financing Fund	Court Automation Financing Fund
Revenues			
Tax revenue	$ 982,539	987,742	-
Grant revenue	-	-	-
Interest on loans	-	-	-
Interest on investments	62,409	39,839	2,619
Administrative	-	-	-
Total revenues	1,044,948	1,027,581	2,619
Expenditures			
Administrative fee	9,088	325	19,013
Professional services	1,425	-	6,199
Salaries and fringe benefits	-	-	-
In-state travel	-	-	-
Maintenance and repairs	-	-	-
Operating costs	-	-	-
Depreciation	-	-	-
Grant expense	-	-	-
Total current expenditures	10,513	325	25,212
Debt service:			
Principal payments	150,000	65,000	-
Interest expense	199,002	5,200	-
Bond issuance costs	-	-	-
Total debt service expenditures	349,002	70,200	-
Excess (deficiency) of revenues over expenditures	685,433	957,056	(22,593)
Other Financing Sources (Uses)			
Bond proceeds			
Transfers (to) from other funds	-	-	-
Transfers to other state agencies	(1,175,096)	(725,000)	(56,341)
Total other financing sources (uses)	(1,175,096)	(725,000)	(56,341)
Net change in fund balance	(489,663)	232,056	(78,934)
Fund balances (deficit) - reserved - beginning	(2,297,231)	1,014,913	86,736
Cumulative effect of change in accounting principle	3,785,000	130,000	-
Net assets-beginning, as restated	1,487,769	1,144,913	86,736
Fund balances (deficit) - reserved - ending	$ 998,106	1,376,969	7,802

State Capitol Improvement Financing Fund	Equipment Loan Fund	**Total Other Governmental Funds**
$ 994,284	959,291	**3,923,856**
-	-	**-**
-	76,248	**76,248**
9,447	-	**114,314**
-	-	**-**
1,003,731	1,035,539	**4,114,418**
22,013	16,215	**66,654**
635	-	**8,259**
-	-	**-**
-	-	**-**
-	-	**-**
-	-	**-**
-	-	**-**
-	-	**-**
22,648	16,215	**74,913**
190,000	719,000	**1,124,000**
599,725	141,010	**944,937**
-	-	**-**
789,725	860,010	**2,068,937**
191,358	159,314	**1,970,568**
-	-	**-**
-	-	**(1,956,437)**
-	-	**(1,956,437)**
191,358	159,314	**14,131**
(8,565,582)	-	**(9,761,164)**
8,475,000	463,065	**12,853,065**
(90,582)	463,065	**3,091,901**
$ 100,776	622,379	**3,106,032**

NEW MEXICO FINANCE AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2002

	Wells Fargo (Santa Fe)	Bank of America (Charlotte)	Bank of New York (New York)	Morgan Stanley (New York)	HSBC New York (New York)	Total
Bank Accounts						
Operating account - checking	$ 10,371	-	-	-	-	10,371
Wire Transfers - checking	430,339	-	-	-	-	430,339
Repurchase Agreements	-	10,070,163	16,359,640	16,102,916	3,279,691	45,812,410
Total amount of deposits (bank balances)	440,710	10,070,163	16,359,640	16,102,916	3,279,691	45,812,410
Less FDIC coverage	100,000	-	-	-	-	100,000
Total uninsured public funds	340,710	10,070,163	16,359,640	16,102,916	3,279,691	45,712,410
Collateral requirement @ 102%	347,524	10,271,566	16,686,833	16,424,974	3,345,285	46,626,658
Pledges and securities						
FMCL, matures July 1, 2002 Held at Wells Fargo, Albuquerque CUSIP 31390ABX5 Par, $400,000	421,611	-	-	-	-	421,611
UST, matures May 15, 2017 Held at Wells Fargo, Albuquerque CUSIP912810DY2 Par $9,239,000	-	11,166,431	-	-	-	11,166,431
UST, matures January 2, 2009 Held at Bank of New York, New York Various CUSIPs * Par $15,841,383	-	-	16,788,701	-	-	16,788,701
UST, matures September 1, 2003 Held at Wells Fargo, Albuquerque CUSIP36210UYQ0 Par $18,535,000	-	-	-	16,605,749	-	16,605,749
UST, matures January 1, 2006 Held at Wells Fargo, Albuquerque Par $3,545,000 CUSIP 912833FV7	-	-	-	-	3,415,487	3,415,487
Over/(under) secured	$ 74,087	894,865	101,868	180,775	70,202	$1,771,321

* Part of a collateral pool of US Treasuries and Agencies. This pool consists of multiple CUSIPs

NEW MEXICO FINANCE AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND RELATED NOTES
Year Ended June 30, 2002

Federal Grant/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Environmental Protection Agency Capitalization Grants for Drinking Water State Revolving Funds	66.468	$ 3,166,311

NOTE A. SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditure of federal awards is prepared on the accrual basis of accounting.

NOTE B. FUNDS PASSED THROUGH TO SUBRECIPIENTS

Federal expenditures include funds passed through to subrecipients as follows:

CFDA Number	Subrecipient	Amount
66.468	New Mexico Environment Department	$ 2,687,334

NOTE C. LOANS FUNDED

	Original Balance	Balance at June 30, 2002
Revolving Loans:		
Loans funded in previous years	$ 4,008,597	3,830,593
Loans funded in current year:		
Malaga Mutual Domestic Water Association	171,718	169,785
Village of Los Lunas	4,070,660	3,968,317
High Sierra Estates	121,213	118,917
City of Truth or Consequences	1,841,089	1,796,932
Cottonwood Rural Water Co-op	703,586	695,802
City of Albuquerque	2,450,000	2,450,000
El Prado Water and Sanitation District	75,750	75,750
	9,434,016	9,275,503
Total loans funded	$13,442,613	13,106,096

The revolving loans are funded through a mix of 80% federal and 20% state monies. The technical set-aside loans are funded with 100% federal monies.

NEFF + RICCI LLP

CERTIFIED PUBLIC ACCOUNTANTS
6100 UPTOWN BLVD NE SUITE 400
ALBUQUERQUE, NM 87110

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board of Directors
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the New Mexico Finance Authority (Authority), as of and for the year ended June 30, 2002, and have issued our report thereon dated October 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

Members of the Board of Directors
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor
Santa Fe, New Mexico

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of management and Board of the Authority, the State Auditor, and the cognizant audit agency and is not intended to be and should not be used by anyone other than these specified parties.

Neff + Ricci LLP

Albuquerque, New Mexico
October 22, 2002

NEFF + RICCI LLP

CERTIFIED PUBLIC ACCOUNTANTS
6100 UPTOWN BLVD NE SUITE 400
ALBUQUERQUE, NM 87110

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Members of the Board of Directors
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor
Santa Fe, New Mexico

Compliance

We have audited the compliance of the New Mexico Finance Authority (Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

Members of the Board of Directors
New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor
Santa Fe, New Mexico

In our opinion, the Authority complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and Board of the Authority, the State Auditor, and the cognizant audit agency and is not intended to be and should not be used by anyone other than these specified parties.

Neff + Ricci LLP

Albuquerque, New Mexico
October 22, 2002

NEW MEXICO FINANCE AUTHORITY
SUMMARY OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2002

	Comment	Current Status
01-1	PPRF Direct Loans Program Funds	Resolved
01-2	Subrecipient Loan Closing	Resolved

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of the New Mexico Finance Authority (Authority).

2. No reportable conditions were disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.

4. No reportable conditions were disclosed during the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The auditors' report on compliance for the major federal award programs for the Authority expresses an unqualified opinion.

6. There were no audit findings relative to the major federal award program for the Authority.

7. The program tested as a major program is:

Program Name	CFDA Number
Capitalization Grants for Drinking Water State Revolving Funds	66.468

8. The threshold for distinguishing Type A and B programs was $300,000.

9. The Authority was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT (NON-REPORTABLE CONDITION)

02-1 Water/Waste Water Project Grant Fund – Unauthorized Signatures

Condition

An authorized signature was not present on the applicable draw request form (Exhibit "B" or "C") as designated by the grant agreement in three instances out of thirteen tested.

Criteria

Authorized signatures should be present for all draw requests on Water/Waste Water Project Grant Funds.

Effect

A responsible party cannot be held accountable for the potential misuse of grant proceeds.

Cause

A process was not in place to verify whether the requesting party was an authorized party according to the grant agreement.

Recommendation

The requesting party for each draw request should be compared to the grant agreement to determine proper authorization.

Management's Response

Management agrees with the recommendation proposed for this finding. All water wastewater grant fund requisitions (draw requests) have been reviewed to ensure that the proper signatures (authorized) are on each draw request.

In any instance where an authorized signature was not on a draw request, the signatory was directly involved with the grant project and had been given permission to sign the draw request from an authorized signatory. In all cases corrective action was taken and the authorized signatory ratified the draw requests in question. In no instance were funds released for unauthorized or incomplete work.

C. FINDINGS AND QUESTIONED COSTS–MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

NEW MEXICO FINANCE AUTHORITY
EXIT CONFERENCE
June 30, 2002

An exit conference was held on December 6, 2002, and attended by the following:

New Mexico Finance Authority Personnel

Robert M. Goodman, Chairman of the Board
H. Dan Shannon, Secretary of the Board
Jan Goodwin, Board Member
Tom Pollard, Executive Director
Keith Mellor, Chief Financial Officer and Controller

Neff + Ricci LLP Personnel

Wayne Brown, Partner
Larry Carmony, Partner
Scott Eliason, Senior Manager

APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements are extracts, supplementing the information in the body of the Official Statement, of certain provisions of the Indenture. These extracts do not purport to be complete and reference is made to the Indenture for a full and complete statement of such provisions. See "ADDITIONAL INFORMATION."

The following are certain definitions contained in the Indenture and extracts of certain provisions contained in the General Indenture and are not to be considered as a full statement thereof. Reference is hereby made to the Indenture for full details of all of the terms of the Bonds, the security provisions appertaining thereto and the other terms thereof. During the offering period of the Series 2003B Bonds, copies of the Indenture will be available at the principal office of the Underwriters. Subsequent to the offering of the Series 2003B Bonds, copies of the Indenture may be obtained from the Trustee.

CERTAIN DEFINITIONS

"Account" or "Accounts" means one or more of the special trust accounts created and established pursuant to the Indenture.

"Act" means the New Mexico Finance Authority Act, being Sections 6-21-1 through 6-21-31, inclusive, NMSA 1978, as amended and as the same may hereafter be amended and supplemented.

"Additional Bonds" means any Bonds of the NMFA, including the Series 2003A Bonds, Series 2002A Bonds, Series 2000B-C Bonds, Series 2000A Bonds, the Series 1999A-D Bonds, Series 1997 Bonds and the Series 1996 Bonds, authorized and issued under the Indenture, except for the Series 1995 Bonds.

"Additional Pledged Loans" means any additional loans or securities which (i) were made or purchased by the NMFA from amounts on deposit in the Public Project Revolving Fund and (ii) the payments of principal and interest on which have been specifically pledged by the NMFA to the payment of the Bonds and other amounts due under the Indenture. No such loans or securities will be deemed to be Additional Pledged Loans unless the Trustee has received written notice from the NMFA that a specific loan or security will be included under the Indenture.

"Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Agreement" or "Agreements" means, as the case may be, one or more Loan Agreements, Grant Agreements or Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of a Project by the NMFA under the General Indenture.

"Agreement Pledged Revenues" means the pledged revenues designated by a Governmental Unit for payments to be made pursuant to the respective Loan Agreement, Security Documents or Securities.

"Agreement Reserve Fund" means the Agreement Reserve Fund established by the Indenture and each Agreement Reserve Account, if any, created by an Agreement therein.

"Agreement Reserve Requirement" for each Agreement establishing an Agreement Reserve Account, means the amount, if any, required by such Agreement to be allocated to an Agreement Reserve Account (relating to such Agreement) within the Agreement Reserve Fund.

"Approval of Bond Counsel" means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax Exempt Bonds.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

CATEGORY OF LOANS AND ADDITIONAL PLEDGED LOANS	**APPLICABLE PERCENTAGES**
CATEGORY I LOANS AND ADDITIONAL PLEDGED LOANS	100%
CATEGORY II LOANS AND ADDITIONAL PLEDGED LOANS	80%
CATEGORY III LOANS AND ADDITIONAL PLEDGED LOANS	50%
CATEGORY IV LOANS AND ADDITIONAL PLEDGED LOANS	0%

"Authorized Denominations" means, with respect to the Series 2003B Bonds, $5,000 or any integral multiples thereof.

"Authorized Officer" means: (i) in the case of the NMFA, the Chair, any Vice Chair, Secretary or Treasurer, and when used with reference to any act or document also means any other person authorized by resolution of the NMFA to perform such act or execute such documents; (ii) in the case of a Governmental Unit, means the person or persons authorized by resolution or ordinance of the Governmental Unit to perform any act or execute any document; and (iii) in the case of the Trustee or the Paying Agent any person authorized to perform any act or sign any document by or pursuant to the bylaws or any resolution of the governing body of the Trustee or the Paying Agent, respectively.

"Bond Counsel" means nationally recognized bond counsel experienced in matters of municipal law, satisfactory to the Trustee and listed in the list of municipal bond attorneys, as published semiannually by The Bond Buyer, or any successor publication.

"Bond Documents" means collectively, the Loan Agreements, the Grant Agreements, the Securities, the Security Documents, and the Indenture.

"Bond Fund" means the fund by that name established by the Indenture to be held by the Trustee and used to pay amounts due on the Bonds.

"Bond Fund Year" means a twelve-month period beginning on June 2 of each year and ending on the next succeeding June 1.

"Bond Registrar" or "Registrar" means the Trustee or any other registrar appointed under the Indenture.

"Bonds" means all Bonds issued and secured under the Indenture.

"Business Day" means any day, other than a day on which banks located in New York, New York or the cities in which the Principal Offices of the Trustee or the Paying Agent are located are required or authorized by law or executive order to close, or on which the New York Stock Exchange is closed.

"Cash Flow Statement" means an NMFA certificate (a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate:

(A) the amount of NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(B) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(C) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding;

and (b) showing that in each such Bond Fund Year, the aggregate of the amount set forth in clause (A) of the definition divided by 1.35, plus the aggregate amount set forth in clause (B) of the definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of the definition.

For purposes of the foregoing definition the following assumptions will apply:

(i) NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year will be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period in the 24 months next preceding the delivery of the Cash Flow Statement;

(ii) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(iii) Loans and Additional Pledged Loans will be assumed to remain in their then current category designations throughout the period projected in the Cash Flow Statement.

"Category I Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in at least the third highest full rating category or higher by the Rating Agency.

"Category II Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

"Category III Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are not designated or rated or are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Non-Performing Loans and Additional Pledged Loans and Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been fully replenished in accordance with the related Agreement or loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agency.

"Code" means the Internal Revenue Code of 1986, as amended and the applicable regulations thereunder.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement between the NMFA and the Trustee dated the date of issuance and delivery of the Series 2003B Bonds, as originally executed as it may be amended from time to time in accordance with the terms thereof.

"Covenance Default" has the meaning, if any, given in any Loan Agreement, Securities or Additional Pledges Loan.

"Expense Fund" means the fund by that name established by the Indenture to be held by the Trustee.

"Funds and Accounts" means collectively, the Debt Service Fund and the Accounts created therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, and the Bond Fund.

"Governmental Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Governmental Units" means any "qualified entity" under the Act which has executed and delivered to the NMFA a Loan Agreement, Grant Agreement or Securities for the purpose of financing all or a portion of a Project.

"Grant Agreements" means a grant or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and does not require payments by the Governmental Unit to be made thereunder.

"Grants" means collectively, the Grants made pursuant to the Grant Agreements.

"Indenture" means the General Indenture of Trust and Pledge and all Supplemental Indentures thereto.

"Interest Component" means the portion of each Loan Payment representing interest on the related Loan.

"Interest Payment Date" means, with respect to the Series 2003B Bonds, each June 1 and December 1, beginning December 1, 2003.

"Loan Agreement" means a loan or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and requires the Governmental Unit to repay the amounts advanced.

"Loan Payment" means the payments made by each Governmental Unit pursuant to the provisions of a Loan Agreement or Securities and which are to be used in accordance with the Indenture.

"Loan Payment Date" means the date specified in each Loan Agreement or Securities as the due date for Loan Payments.

"Loans" means collectively, the Loans made pursuant to the Loan Agreements and the Securities; excluding, however, all Additional Pledged Loans. Loans and Additional Pledged Loans may be evidenced by the same document containing two or more separate obligations.

"NMFA Portion of the Governmental Gross Receipts Tax" means an amount equal to 75% of the net receipts attributable to the governmental gross receipts tax levied pursuant to Section 7-9-4.3, NMSA 1978, as amended, and distributed to the NMFA pursuant to Section 7-1-6.38, NMSA 1978, as amended.

"Nonperforming Loans and Additional Pledged Loans" means Loan Agreements and Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a Covenant Default) or under which a delinquency exists in payments of principal or interest thereunder.

"Original Issue Date" means, with respect to the Series 2003B Bonds, the date of delivery thereof.

The terms "Outstanding" or "Bonds outstanding" mean all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) any Bond (or any portion thereof) (i) for the payment or redemption of which there will be held in trust under the Indenture and set aside for such payment or redemption, moneys and/or Governmental Obligations (not callable at the option of the issuer thereof) maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Governmental Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or redemption price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any such Bond (or any portion thereof) to be redeemed prior to maturity, notice of the redemption of which will be given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee; and

(c) Bonds deemed paid pursuant to the provisions of the Indenture; and

(d) Bonds in lieu of which others have been authenticated pursuant to the Indenture.

"Participants" means underwriters, securities brokers and dealers, banks and trust companies, clearing corporations and other persons from time to time for which DTC or any successor Securities Depository holds Series 2003B Bonds as Securities Depository.

"Paying Agent" means the Trustee or any successor or additional paying agent appointed pursuant to the Indenture.

"Permitted Investments" (i) with respect to the investment of the respective Accounts of the Program Fund, the Agreement Reserve Fund and the Debt Service Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund and the Rebate Fund or any other fund created under the Indenture, the following to the extent permitted by New Mexico law:

(a) Governmental Obligations;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself);

  (i) *Farmers Home Administration* (FmHA) Certificates of Ownership;

  (ii) *Federal Housing Administration* (FHA) Debentures;

  (iii) *General Services Administration* Participation certificates;

  (iv) *Government National Mortgage Association* (GNMA or "Ginnie Mae") GNMA-guaranteed mortgage-backed bonds and GNMA-guaranteed pass-through obligations (participation certificates);

  (v) *U.S. Maritime Administration* Guaranteed Title XI financing;

  (vi) *U.S. Department of Housing and Urban Development* (HUD) Project Notes and Local Authority Bonds;

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself;

(i) *Federal Home Loan Bank System* Senior debt obligations (Consolidated debt obligations);

(ii) *Federal Home Loan Mortgage Corporation* (FHLMC or "Freddie Mac") rated AAA by Standard & Poor's and Aaa by Moody's. Participation Certificates (Mortgage-backed securities) Senior debt obligations;

(iii) *Federal National Mortgage Association* (FNMA or "Fannie Mae") Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal);

(iv) *Student Loan Market Association* (SLMA or "Sallie Mae") Senior debt obligations;

(v) *Resolution Funding Corp.* (REFCORP) Only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book-entry form are acceptable;

(vi) *Farm Credit System* Consolidated systemwide bonds and notes;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G", "AAAm" or "Aam" or by Moody's of "Aaa" including funds from which the Trustee or its affiliates revenue fees for investment advisory or other services to such funds.

(e) Certificates of deposit ("CD") secured at all times by collateral described in (a) and/or (b) above. CD's must have a one-year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+"or better by S&P, and "Prime-1" or better by Moody's. The collateral must be held by a third party and the third party must have a perfected first security interest in the collateral;

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BID and SAIF;

(g) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P;

(h) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies;

(i) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1+" by S&P;

(j) Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date; provided, however, that the repurchase agreement must satisfy certain criteria articulated in writing to the NMFA by the Rating Agency;

(k) Investment contracts with providers the long term, unsecured debt organization of which are rated at least "A" by the Rating Agency; and

(l) deposits with the Treasurer of the State for investment in obligations described above.

"Prepayment" means the amount paid by a Governmental Unit pursuant to the provisions of its Loan Agreement or Securities as a prepayment of all or a portion of the principal balance due under its Loan Agreement or a prepayment of the principal amount of the Securities.

"Principal Component" means the portion of each Loan Payment representing principal on the related Loan.

"Program" means the NMFA's public project revolving fund program.

"Program Costs" means the fees and expenses payable to the Trustee, any Paying Agent and the NMFA.

"Program Fund" means the fund by that name which is created and established by the Indenture.

"Projects" means, collectively, the projects (i) authorized by the Legislature for financing by the NMFA from the Public Project Revolving Fund (to the extent required by law) and (ii) described in a Supplemental Indenture and a Loan Agreement, Grant Agreement or Securities.

"Public Project Revolving Fund" means the public project revolving fund established pursuant to the Act.

"Rating Agency" means Moody's Investors' Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

"Rebate Calculation Date" means, with respect to each Series of Bonds, the interest payment date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the Initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last bond for such Series.

"Rebate Fund" means the Fund so designated, which is created and established by the Indenture.

"Rebate Requirement" means the amount of arbitrage profits earned from the investment of gross proceeds of the Bonds in nonpurpose investments described in Section 148(f)(2) of the Code and defined as "Rebate Amount" in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 2003B Bonds maintained by the Registrar.

"Registered Owner" or "Bondowner" or "Owner" or "Bondholder" or "holder" means the person or persons in whose name or names a Bond will be registered on the books of the Trustee kept for that purpose in accordance with provisions of the Indenture.

"Regular Record Date" means the fifteenth (15th) day immediately preceding each Interest Payment Date (or the Business Day immediately preceding such fifteenth (15th) day, if such fifteenth (15th) day is not a Business Day).

"Revenue Fund" means the Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund so designated, which is created and established by the Indenture to be held by the Trustee.

"Revenues" means (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund).

"Securities" means the securities purchased or acquired by the NMFA in consideration for a Loan made pursuant to the Indenture.

"Security Documents" means the intercept agreements or other security documents delivered by Governmental Units to provide additional security for a Loan Agreement or Securities.

"Series" means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefore.

"Series 1995A Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1995A, in an initial aggregate principal amount of $41,230,000 and the Public Project Revolving Fund Revenue Bonds, Taxable Series 1995B, in an initial aggregate principal amount of $4,000,000.

"Series 1996A Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1996A, in an initial aggregate principal amount of $17,625,000.

"Series 1997 Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1997, in an initial principal amount of $8,585,000.

"Series 1999A-D Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1999A, in an initial aggregate principal amount of $13,135,000, the Public Project Revolving Fund Revenue Bonds, Series 1999B, in an initial aggregate principal amount of $3,025,000, the Public Project Revolving Fund Revenue Bonds, Taxable Series 1999C, in an initial aggregate principal amount of $2,265,000 and the Public Project Revolving Fund Revenue Bonds, Taxable Series 2000 in an initial aggregate principal amount of $4,875,000.

"Series 2000A Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 2000A, in an initial aggregate principal amount of $4,715,000.

"Series 2000B-C Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2000B, in an initial aggregate principal amount of $7,670,000 and the Public Project Revolving Fund Revenue Bonds, Series 2000C, in an initial aggregate principal amount of $28,850,000.

"Series 2002A Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2002A, in an initial aggregate principal amount of $55,610,000.

"Series 2003A Bonds" means the Public Project Revolving Revenue Fund Bonds, Series 2003A, in an initial principal amount of $39,945,000.

"Series 2003B Bond Insurance Policy" means, with respect to the Series 2003B Bonds, the municipal bond insurance policy issued by the Series 2003B Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2003B Bonds.

"Series 2003B Bond Insurer" means, with respect to the Series 2003B Bonds, MBIA Insurance Corporation or any successor thereto.

"Series 2003B Bonds" means the Public Project Revolving Fund Revenue Refunding Bonds, Series 2003B, in an initial aggregate principal amount of $25,370,000

"Special Record Date" means a special record date established pursuant to the Indenture.

"State" means the State of New Mexico.

"Supplemental Indenture" means any supplemental indenture approved by the NMFA in accordance with the Indenture amending or supplementing the Indenture or any Supplemental Indenture.

"Trust Estate" means the property held in trust by the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means Bank of Albuquerque, N.A., Albuquerque, New Mexico and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor Trustee under the Indenture.

THE INDENTURE

Registration and Exchange of Bonds

Books for the registration and for the transfer of the Bonds will be kept by the Trustee which is appointed the Bond Registrar with respect to the Bonds. Any Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Registrar, duly executed. No transfer will be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any fully registered Bond at the principal corporate trust office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing and satisfactory to the Trustee, the NMFA will execute and the Trustee will authenticate and deliver in the name of the transferee or transferees a new, fully registered Bond or Bonds for a like aggregate principal amount. Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series and the same maturity. The execution by the NMFA of any Bond of any authorized denomination will constitute full and due authorization of such denomination, and the Trustee will thereby be authorized to authenticate and deliver such Bond. The NMFA and the Trustee will not be required to transfer or exchange any Bond of a particular Series (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds of a particular Series for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The NMFA, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered on the registration books kept by the Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the NMFA, nor the Bond Registrar nor the Paying Agent will be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond will be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as hereinabove provided. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Trustee will require the payment by the Registered Owner requesting exchange or transfer, only of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Nonpresentment of Bonds

In the event that any Bond are not presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond are made available to the Trustee for the benefit of the holder or holders thereof, all liability of the NMFA to the holder thereof for the payment of such Bond will forthwith cease, determine and be completely discharged, and thereupon it will be the duty of the Trustee to hold such funds, without liability to the holders of such Bonds for interest thereon, for the benefit of the holder of such Bond who will thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Moneys so deposited with the Trustee which remain unclaimed four (4) years after the date payment thereof becomes due will, to the extent authorized by applicable law, at the request of the NMFA and if the NMFA is not at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture and if to the knowledge of the Trustee there has been no Event of Default, be repaid to the NMFA and the Owners of the Bonds for which the deposit was made will thereafter be limited to a claim against the NMFA; provided that the Trustee, before making payment to the NMFA, may cause a notice to be given to the Owners of the Bonds at their registered addresses, stating that the moneys remaining unclaimed will be returned to the NMFA after a specified date. Upon payment of such amounts to the NMFA by the Trustee, the NMFA will deal with such money as required by applicable law.

Covenants of the NMFA

The NMFA will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or Supplemental Indenture or in any Bond, including the following covenants and agreements:

Covenant Against Creating or Permitting Liens. Except for the pledge of the Trust Estate to secure payment of the Bonds, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that (i) nothing contained in the Indenture will prevent the NMFA from issuing, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinated to that of the Bonds and (ii) Revenues constituting NMFA Portion of the Governmental Gross Receipts Tax and payments of Additional Pledged Loans not needed for payments under the Indenture in any Bond Year may be released to the NMFA free and clear of the lien as provided in the Indenture.

Existence; Compliance with Laws. The NMFA will take no action to discontinue maintenance of its existence nor to impair its rights, powers, privileges, and franchises, and will comply with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements, and directions of any legislative, executive, administrative, or judicial body which may relate to the execution and delivery of the Bonds and the performance of the NMFA's obligations under the Indenture.

No Transfer of Loan Agreements, Grant Agreements, Security Documents and Securities; Exceptions, Further Assurance. The NMFA and the Trustee will not transfer any of the Loan Agreements, Grant Agreements, Security Documents and Securities except as specifically authorized in the Indenture in furtherance of the security for the Bonds; provided that, (i) once the Governmental Unit has repaid all amounts, if any, owing under its Loan Agreement, Grant Agreement, Securities, or Additional Pledge Loan and complied with the other provisions thereof, the NMFA and the Trustee may release such Agreement or Additional Pledge Loan and any Security Documents from the pledge created under the Indenture; and (ii) the NMFA may direct the release of any Agreement or Additional Pledged Loan from the lien and pledge of the Trust Estate under the Indenture upon the delivery to the Trustee of a Cash Flow Statement reflecting such release. Except to the extent otherwise provided in the Indenture, the NMFA will not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners may be impaired and will, from time to time, execute and deliver such further instruments and will take such further action as may be required to carry out the purposes of the Indenture.

Financing Statements. The NMFA and the Trustee will cause the Indenture to be filed as a financing statement with the Secretary of State of the State, in such manner and at such places as may be required by law fully to protect the security interest of the Owners in the Bonds and the right, title, and interest of the Trustee in and to the Trust Estate. From time to time, the Trustee may, but will not be required to, obtain an opinion of counsel setting forth what, if any, actions by the NMFA or Trustee should be taken to preserve such security. The NMFA will execute or cause to be executed any and all further instruments as may reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and will furnish satisfactory evidence to the Trustee that such actions have been taken and will take such other action as is necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds executed and delivered under the Indenture has been paid. The Trustee will execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel may be necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the Principal of and interest on the Bonds have been paid.

Rights Under Loan Agreements; Grant Agreements, Security Documents and Securities. The Loan Agreements, Grant Agreements, Security Documents and Securities set forth the covenants and obligations of the Governmental Units, including provisions that, subsequent to the issuance of a Series of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions of the Indenture, the Loan Agreements, Grant Agreements, Security Documents and Securities may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Trustee in accordance with the Indenture, and reference is made to the same for a detailed statement of said covenants and obligations of the Governmental Units thereunder.

Bonds to be Tax-Exempt Obligations. The NMFA covenants and agrees to and for the benefit of the Owners of Bonds that the NMFA (i) will not take any action that would cause interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Tax-exempt Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the exemption from federal income taxation of interest on the Bonds. The provisions of this paragraph do not apply to Bonds designated in the related Supplemental Indenture as bearing or accruring interest intended to be subject to Federal income taxation.

State Pledge of Non-Impairment. The State has pledged to and agreed with the Bondholders (as an obligation issued under the Act) that the State will not limit or alter the rights vested in the NMFA under the Act to fulfill the terms of the Indenture with the Bondholders or in any way impair the rights and remedies of those holders until the Bonds together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of those holders, are fully met and discharged.

Deposit and Advance of Funds

The NMFA and the Trustee will deposit the proceeds of the Bonds to the Accounts created under the Indenture and will make the advances of funds thereunder to fund the Program and the NMFA will enter into the Loan Agreements and Grant Agreements with the Governmental Units and purchase and receive the Securities and Security Documents from the Governmental Units on the terms and conditions and upon submission of the documents as provided in the Indenture.

The following restrictions will apply to financings made by the NMFA under the Indenture:

(a) The aggregate principal amount of each Loan Agreement, Grant Agreement and Security shall be in whole multiples of Authorized Denomination.

(b) Without the Approval of Bond Counsel, (i) no advance from the Program Fund will be made or used to reimburse a Governmental Unit for amounts spent from such Governmental Unit's own funds prior to the date the Governmental Unit executed and delivered the Loan Agreement, Grant Agreement or Securities under the Program, and (ii) no Program Fund moneys will be disbursed to refund or advance refund any obligations issued on behalf of a Governmental Unit.

(c) Each Agreement will require that the final disbursement of moneys from the Governmental Unit's Account within the Program Fund to a Governmental Unit will be made no later than the date which is three years after the execution and delivery of the Agreement, unless the NMFA and the Trustee have received the Approval of the Bond Counsel for a later date.

(d) Each Governmental Unit will agree not to take or permit any action which would cause the respective Agreement or the related Series of Bonds to be "arbitrage bonds" under Sections 103 and 148 of the Code.

(e) Without an Approval of Bond Counsel, no amounts disbursed from the Program Fund may be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit" within the meaning of Section 141(b)(6) of the Code.

(f) Amounts disbursed from each Governmental Unit's Account within the Program Fund will be used to finance the costs of the related Project and related expenditures on behalf of the Governmental Unit.

(g) Each Governmental Unit will agree to pay the Rebatable Arbitrage, if any, relating to its Accounts in the Program Fund, the Agreement Reserve Fund and in the Debt Service Fund.

(h) At the time of execution and delivery of each Agreement the related Governmental Unit will execute and deliver a certificate to the effect that the Governmental Unit (i) will not take any action that would cause the interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Agreement in order to preserve the exemption from federal income taxation of the interest on the Bonds.

The provisions of Subsections (b), (c), (d), (e), (g) and (h) do not apply to Agreements financed with proceeds of Bonds designated as intended to bear interest subject to Federal income taxes.

Loan Agreement and Securities - Loan Payments

The Loan Payments will be governed by the following provisions:

(a) Principal, Program Costs and Interest Components. A portion of each Loan Payment is paid as, and represents payment of, interest (the "Interest Component") on the related Loan and payment of a Program Cost component relating to each loan (the "Program Cost Component") and the balance of each Loan Payment is paid as, and represents payment of, principal (the "Principal Component") on the related Loan, all as set forth in the related Loan Agreement or Securities. Amounts due as the Principal, Program Costs, and Interest Components of Loan Payments due under each Loan Agreement or Securities will be paid on each Loan Payment Date. The Interest Component of Loan Payments for each Loan Agreement will be the amount of interest based on a 360 day year comprised of twelve 30-day months, unless otherwise specified in the related Supplemental Indenture. The Program Cost Component may be included in the interest rate borne by a Loan.

(b) Loan Agreement and Securities Term. The "Term" of a Loan Agreement or Securities will be defined in the Loan Agreement or Securities. The Term will not exceed the useful life of the Project financed pursuant to the related Loan Agreement or Securities.

(c) Agreement Payment. Each Loan Agreement and Securities will provide that the related Governmental Unit will pay Loan Payments directly to the Trustee. In the case of Securities, the Securities will be registered in the name of the Trustee or properly assigned to the Trustee on the books of any registrar for such Securities or, if in bearer form delivered to and held by the Trustee.

(d) Prepayments. The Loan Agreements and Securities may contain a provision permitting the Governmental Unit to prepay the Principal Component of the Loan Payments, in accordance with the provisions of the Loan Agreement and Securities by payment of Prepayments in whole on any date or in part on any Interest Payment Date, at any time when the related Series of Bonds are or are about to become subject to optional redemption upon not less than forty-five (45) days' prior written notice to the Trustee and subject to any other conditions set forth in the related Supplemental Indenture, Loan Agreement or Securities. Partial prepayments of the Principal Component of Loan Payments will be made in multiples of the minimum Authorized Denomination. Each Prepayment will include interest to the date upon which the Trustee has scheduled a related redemption of Bonds as provided in the related Supplemental Indenture.

(e) Use of Reserve at Final Payment. At the time of payment in full of each Loan Agreement or Securities, the applicable Agreement Reserve Account in the Agreement Reserve Fund will be applied toward the final payment of amounts due under the related Loan Agreement or Securities.

Establishment of Funds and Accounts

There is established in the Indenture with the Trustee the following funds and accounts within funds, each of which will be held, for the term of the Indenture, in Accounts segregated from all other moneys of the Trustee or the NMFA.

(a) a Program Fund and within such fund a separate Account for each Agreement;

(b) a Debt Service Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

(d) an Agreement Reserve Fund and within such fund, a separate Account for each Agreement which contemplates the establishment of an Agreement Reserve Account;

(e) an Expense Fund;

(f) a Rebate Fund and within such fund a separate Account for each Agreement; and

(g) a Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund (herein the "Revenue Fund") established as an account of the Public Project Revolving Fund.

In addition to the foregoing, with respect to Additional Pledged Loans the Trustee may, as directed in a Supplemental Indenture, establish subaccounts within the Program Fund, the Agreement Reserve Fund or the Debt Service Fund for such Additional Pledged Loans.

Flow of Funds

All Funds will be accounted for and maintained by the NMFA in the Funds and Accounts established in the Indenture. Each Fund and Account will be kept separate and apart from all other Funds and Accounts of the NMFA. The Funds will be expended and used by the NMFA only in the manner of order and priority specified below:

Program Fund

(a) Upon the issuance of a Series of Bonds the Trustee will deposit an amount specified in the related Supplemental Indenture in the Program Fund and will allocate such amount to the respective Accounts within the Program Fund as provided in each Agreement. Disbursements from each Account within the Program Fund will be made as provided below and may be made in stages.

(b) Disbursements from each Account within the Program Fund with respect to an Agreement with a Governmental Unit will (except for amounts to be used for capitalized interest on the Loan and as may be directed in a Supplemental Indenture with respect to Grants) only be made upon the delivery to the Trustee of a requisition substantially in the form attached to each Agreement signed by an Authorized Officer of the Governmental Unit, as applicable: (1) stating the name and address of the payee, the amount to be paid and the purpose of the payment; (2) certifying that the amount to be paid is for costs of the Project and is due and payable, has not been the subject of any previous requisition and is a proper charge against the Account within the Program Fund pursuant to this Paragraph (b); (3) certifying that all representations contained in the Agreement and the related documents remain true and correct and that the Governmental Unit is not in breach of any of the covenants contained therein; and (4) in the case of the final requisition, certifying that payment of costs of the Project is complete or that the Governmental Unit will, and understands its obligation to, complete the acquisition or construction of the Project from other legally available funds.

(c) Without an Approval of Bond Counsel and except with respect to Agreements relating to Bonds designated in the related Supplemental Indenture as bearing or accruing interest subject to federal income taxation, no disbursement will be made from the Governmental Unit's Account in the Program Fund:

(i) to reimburse the Governmental Unit's own funds for expenditures made prior to the date on which the governing body of the Governmental Unit executed and delivered the Agreement,

(ii) to refund or advance refund any obligations issued by or on behalf of the Governmental Unit, or

(iii) to be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit," within the meaning of Section 141(b)(6) of the Code.

(d) Moneys in the Governmental Unit's Account in the Program Fund following the payment of amounts due for the costs of the Project may be transferred to such Governmental Unit's Account in the Debt Service Fund for application to the payment of the principal of and interest on the Loan or the Prepayment of the Principal Component of the Loan Agreement or Securities and a related redemption of Bonds, as provided in the related Supplemental Indenture.

(e) The Trustee will keep the Program Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

(f) Investment earnings on amounts held in each Account of the Program Fund will be retained in such Account of the Program Fund and used as provided herein as other amounts on deposit therein or to be deposited to the Rebate Account.

(g) Moneys deposited in the Program Fund for the payment of capitalized interest on the Loan may be disbursed by the Trustee to the account in the Debt Service Fund to pay interest on the related Loan during construction of the related Project.

(h) If directed in the related Supplemental Indenture, amounts to be used to fund Grants may, in lieu of deposit to the Program Fund, be disbursed to the Governmental Unit upon the issuance of the related Series of Bonds.

(i) Proceeds of Additional Pledged Loans deposited to a separate subaccount of the Governmental Units Account within the Program Fund will be accounted for and used as described above with respect to proceeds of the Bonds; provided that the provisions of paragraph (c) above will not apply to such amounts.

Application of Loan Payments

The flow of funds is discussed in the forepart of this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS - Flow of Funds."

Pursuant to the Supplemental Indenture authorizing the Series 2000A Bonds, the payments required to be made by the 2000A Governmental Unit pursuant to the 2000A Agreement are to be paid directly to the Trustee from the New Mexico Taxation and Revenue Department pursuant to an Intercept Agreement between NMFA and the 2000A Governmental Unit, and the Trustee is to deposit all such payments immediately upon receipt thereof as follows:

(i) moneys identified by the NMFA as being from the receipt of the Correctional Facility Tax will be deposited into the Series 2000A Correctional Facility Tax Account and moneys identified by the NMFA as being from the receipt of the 2000A Governmental Unit Gross Receipts Tax will be deposited into a Series 2000A Governmental Unit Gross Receipts Tax Account, both in the Series 2000A Tax Revenue Fund;

(ii) moneys on deposit in the Series 2000A Correctional Facility Tax Account will be applied as follows:

First: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the 2000A Agreement;

Second: to the extent moneys are available for such purpose, to the payment of Program Costs;

Third: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Agreement Reserve Fund until such time as the balance on deposit in said Account equals the Agreement Reserve Requirement of such Account; and

Fourth: to the extent moneys are available for such purpose, to the Series 2000A Correctional Facility Tax Redemption Fund to annually redeem Series 2000A Bonds on or as soon as is reasonably practicable after June 2 from moneys deposited prior to the preceding June 1 in accordance with the Supplemental Indenture. Any excess Correctional Facility Tax revenues not applied to redemption will be returned to the 2000A Governmental Unit Debt Service Account.

(iii) moneys on deposit in the Series 2000A Governmental Unit Gross Receipts Tax Account will be applied as follows:

First: to the extent moneys from the Series 2000A Correctional Facility Tax Account deposited into the 2000A Governmental Unit Debt Service Account and the 2000A Governmental Unit Agreement Reserve Account in the Agreement Reserve Fund are insufficient to meet the then required principal and interest payments due or to next become due with respect to the 2000A Agreement, to the 2000A Governmental Unit's Debt Service Account the amount necessary to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the 2000A Agreement;

Second: to the extent money from the Series 2000A Correctional Facility Tax Account are insufficient to pay the 2000A Governmental Unit's share of Program Costs, an amount necessary to pay such Program Costs; and

Third: to the 2000A Governmental Unit, the balance of the moneys remaining in the Series 2000A Governmental Unit Gross Receipts Tax Account as soon as reasonably practicable after June 2 of each year.

All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), will be deposited in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Agreement, provided, however, that all earnings received on the Governmental Unit's Accounts will be allocated solely to the benefit of such Governmental Unit. The Trustee will notify the Governmental Unit at least fifteen (15) days prior to the due date of its next payment of Loan Payments of the amount of earnings so allocated.

In the event that the Trustee receives Prepayments under a Loan Agreement or Securities, the Trustee will apply such Prepayments to the mandatory redemption of the Bonds or portions thereof in accordance with the related Supplemental Indenture.

At least once a year the Trustee will determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and will return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or will credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided, however, that with respect to Loans relating to the Series 1997 Bonds, the Series 1999A-D Bonds, the Series 2000B-C Bonds, the Series 2002A Bonds, the Series 2003A and the Series 2003B Bonds, any such excess will be disbursed as follows:

(a) Any excess attributable to earnings on funds and accounts for the Governmental Unit will be returned to the Governmental Unit or will credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; and

(b) Any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the Series 1997 Bonds, the Series 1999A-D Bonds, the Series 2000B-C Bonds, the Series 2002A Bonds, the Series 2003A Bonds and the Series 2003B Bonds, as applicable, will be deposited into the Revenue Fund; and, provided further, however, that with respect to the Series 2000A Loan Agreement, any such excess will be disbursed as provided in the second paragraph under this heading "Application of Loan Payments" above.

Amounts on deposit in the respective Account of the Agreement Reserve Fund in excess of the related Agreement Reserve Account Requirement will be transferred at least annually to the related Accounts of the Debt Service Fund and credited against payments next coming due under such Loan Agreement or Securities.

Amounts on deposit in the respective Account of the Agreement Reserve Fund will be applied toward the final payment of amounts falling due under the related Loan Agreement or Securities.

As provided in an Agreement, a Governmental Unit may (i) fund an Account in the Agreement Reserve Fund over time from deposits made by or on behalf of the Governmental Unit or (ii) may use any reserve fund surety or similar investments in lieu of a cash deposit to the Agreement Reserve Fund.

Amounts on deposit in each Agreement Reserve Account, if any, secure only the payments to be made under the related Agreement and may not be applied toward payments under any other Agreement or toward payment of the Bonds, except to the extent that amounts are due and owing under the related Agreement and amounts are not otherwise available for such payments in related Account of the Debt Service Fund.

All moneys held by the Trustee in the Bond Fund will be applied in accordance with the Indenture to pay the principal or redemption price of Bonds as they mature or become due, upon surrender thereof, and the interest on Bonds as it becomes payable. There will be deposited into the Bond Fund all accrued interest received, if any, at the time of the execution, sale and delivery of the Bonds.

Amounts remaining on deposit in the Bond Fund at the end of each Bond Fund Year and after payment of all amounts due on the Bonds for such Bond Fund Year will be transferred to the Revenue Fund.

Investment of Moneys

Any moneys held as part of a Governmental Unit's Account in any of the Funds established under the Indenture will be invested and reinvested by the Trustee at the direction of the related Governmental Unit in Permitted Investments in accordance with the following provisions.

Any such investments will be held by or under the control of the Trustee. The Trustee will sell and reduce to cash a sufficient amount of such investments whenever the cash balance in the related Debt Service Account is insufficient to pay the principal of and premium, if any, and interest on the related Loan Agreement or Securities when due. In the absence of an appropriate direction from a Governmental Unit as to investment of funds, the Trustee will invest and reinvest such amounts in a daily money market fund which invests only in United States Government Obligations.

Any moneys held (i) as part of a Governmental Unit's Account in any of the Funds established under the Indenture or (ii) by the NMFA as agent for the Trustee will be invested and reinvested by the NMFA or the Trustee, as the case may be, at the direction of the related Governmental Unit in Permitted Investments as directed by the Loan Agent or the Securities and in accordance with the following provisions.

The Trustee or the NMFA will sell and reduce to cash a sufficient amount of such investments whenever the cash balance in the related Debt Service Account is insufficient to pay the principal of and premium, if any, and interest on the related Loan Agreement or Securities when due.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund or the Bond Fund will be invested and reinvested by the Trustee at the direction of the NMFA only in Permitted Investments in accordance with the Indenture. Any such investments will be held by or under the control of the Trustee. The Trustee will sell and reduce to cash a sufficient amount of the investments on deposit in the Bond Fund whenever the cash balance in the Bond Fund is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due.

All such investments will at all times be a part of the account or fund from where the money used to acquire such investments was deposited and all gains thereon will be credited to, and losses thereon will be charged against, such accounts or funds except as expressly provided to the contrary in the Indenture.

All investments will mature, or be subject to repurchase, withdrawal without penalty, or redemption at the option of the owner on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes of the Indenture.

The principal of the investments and the interest, income, and profits received in respect thereof will be applied as follows:

(i) all interest, income, and profits received in respect of the investment of the amounts on deposit in a Governmental Unit's Account in any of the Funds established under the Indenture will (after deduction of any losses) be retained in the applicable Governmental Unit's Account from which the investment was derived (except as otherwise required with respect to the Agreement Reserve Fund and deposits to be made to the Rebate Fund); and

(ii) all interest, income, and profits received in respect of the investment of the amounts on deposit in the Revenue Fund, the Rebate Fund or the Bond Fund will (after deduction of any losses) be retained in such Fund; and

(iii) whenever any other transfer or payment is required to be made from any particular Fund or Account, such transfer or payment will be made from such combination of maturing principal, redemption, or repurchase prices, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any permitted investments to be redeemed, withdrawn, or sold, and any penalties, gains, or losses to be realized upon any such redemption, withdrawal, or sale.

The Trustee will not be accountable for any depreciation in the value of the Permitted Investments or any losses incurred upon any authorized disposition thereof.

Method and Frequency of Valuation. In computing the amount in any Fund or account, Permitted Investments will be valued at least annually at cost, including commissions and accrued interest but excluding interest accrued following acquisition.

Defeasance

When there has been paid, or provisions for payment have been made to or for the holders and Owners of the Bonds, the principal of and premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein, and if there has been paid to the Trustee and any paying agents all sums of money due or to become due according to the provisions of the Indenture, then the estate and rights granted by the Indenture will cease, determine and be void, whereupon the Trustee will cancel and discharge the lien of the Indenture and on demand of the NMFA will execute such documents to evidence such release as will be reasonably required by the NMFA and will turn over to the NMFA all balances held by the Trustee under the Indenture (other than amounts required for return to the Governmental Units as provided in the Indenture).

Any Bond will be deemed to be paid within the meaning of and for all purposes of the Indenture when (a) payment of the principal of and the applicable premium, if any, on such Bond, whether at maturity or prior redemption plus interest thereon to the due date thereof, either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent has irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, and/or (2) noncallable Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond is deemed to be paid under the Indenture, as aforesaid, it will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or noncallable Governmental Obligations.

Notwithstanding anything in the Indenture to the contrary, all moneys so deposited with the Trustee (or other escrow agent) as provided in the defeasance provisions of the Indenture may at the direction of the NMFA also be invested and reinvested in noncallable Governmental Obligations, maturing in the amount and at times as hereinbefore set forth, and all income from all noncallable Governmental Obligations in the hands of the Trustee which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys have been so deposited, will be deposited in the Revenue Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

All moneys or noncallable Governmental Obligations set aside and held in trust pursuant to the defeasance provisions of the Indenture for the payment of Bonds (including interest and premium thereon, if any) will be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and noncallable Governmental Obligations have been so set aside in trust.

Neither the obligations nor the moneys deposited with the Trustee (or other escrow agent) pursuant to the defeasance provisions of the Indenture will be withdrawn or used for any purpose other than, and will be segregated and held in trust for, the payment of the principal or redemption price of, and interest on, the Bonds or portions thereof

Whenever moneys or obligations are deposited with the Trustee (or other escrow agent) for the payment or redemption of any Bonds more than sixty (60) days prior to the date that such Bonds are to mature or be redeemed, the Trustee will mail a notice stating that such moneys or obligations have been deposited and identifying the Bonds for the payment of which such moneys or obligations are being held, to all Owners of Bonds for the payment of which such moneys or obligations are being held.

No such deposit under the defeasance provisions of the Indenture will be made or accepted under the Indenture and no use made of any such deposit unless the Trustee has received an Approval of Bond Counsel to the effect that such deposit and use would not cause the Bonds to be treated as arbitrage bonds within the meaning of Sections 148 of the Code.

Notwithstanding anything in the Indenture to the contrary, if moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to the defeasance provisions of the Indenture for the payment of Bonds and such Bonds have not in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture will be made without the consent of the Registered Owner of each Bond affected thereby.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on any Series of Bonds is paid by a bond insurer with respect to such Series of Bonds pursuant to a municipal bond insurance policy, the Bonds of such Series will remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the NMFA, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the NMFA to the Registered Owners and related Security Instrument Issues of such Series of Bonds will continue to exist and will run to the benefit of such bond insurer, and such bond insurer will be subrogated to the rights of such Registered Owners and related Security Instrument Issues of such Series of Bonds.

Default Provisions and Remedies of the Trustee and Owners

Events of Default Defined. Each of the following events is an "Event of Default" under the Indenture:

(a) if payment of any installment of interest on any of the Bonds is not be made by or on behalf of the NMFA when the same becomes due and payable; or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds is not be made by or on behalf of the NMFA when the same becomes due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund hereunder or otherwise; or

(c) if the NMFA is for any reason rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree is entered, with the consent or acquiescence of the NMFA, appointing a receiver or custodian for any of the Revenues of the NMFA, or approving a petition filed against the NMFA seeking reorganization of the NMFA under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the NMFA will not be vacated or discharged or stayed on appeal within 30 days after the entry thereof, or

(e) if any proceeding is instituted, with the consent or acquiescence of the NMFA, for the purpose of effecting a composition between the NMFA and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or

(f) if (i) the NMFA is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the NMFA, a receiver, Trustee or custodian of the NMFA or of the whole or any part of their property and any of the aforesaid adjudications, orders, judgments or decrees is not vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the NMFA files a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the NMFA or of the whole or any substantial part of the property of the NMFA, and such custody or control is not terminated within 30 days from the date of assumption of such custody or control; or

(i) if the NMFA defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or the Indenture or any Supplemental Indenture on the part of the NMFA to be performed, other than as set forth above in this section and such Default continues for 30 days after written notice specifying such Event of Default and requiring the same to be remedied has been given to the NMFA by the Trustee, which may give such notice in its discretion and will give such notice at the written request of the Registered Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Remedies of the Trustee. If an Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding and receipt of indemnity to its satisfaction, will, in its own name:

(a) by mandamus or other action or proceeding or suit at law or in equity enforce the rights of the Owners of the Bonds under the Indenture, including enforcing any rights under the Agreements and Security Documents and the provisions of the Indenture for the benefit of the Owners of the Bonds against the NMFA and any related Governmental Unit, and compel the NMFA and any related Governmental Unit, to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained in the Indenture or in any Agreement (including the appointment of a receiver); or

(b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) intervene in judicial proceedings that affect the Bonds, the Agreements, or the security therefor; or

(d) exercise any or all remedies permitted under the Agreements or Security Documents; or

(e) cause the NMFA or any related Governmental Unit to account as if it were the Trustee of an express trust for all of the Revenues or Agreement Pledged Revenues, pledged under the Indenture or pursuant to the Agreements and any Security Documents.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any subsequent default or breach of duty or contract. No delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by the Indenture may be enforced and exercised from time to time and as often as may be deemed expedient by the Trustee or the Owners.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Owners, the Trustee, the Owners, the NMFA, and the Governmental Units will be restored to the former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or the Owners under the Indenture is intended to be exclusive of any other remedy, and each such remedy is cumulative and is in addition to every other remedy given under the Indenture or now or hereafter existing in law or in equity or by statute or otherwise and may be extended without exhausting and without regard to any other remedy conferred by any law.

No Liability by the Governmental Units to the Owners. Except for the payment when due of the Loan Payments and the performance of the other agreements and covenants required to be performed by it contained in the Agreements and Security Documents, the Governmental Units will not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Loan Payments, by the Trustee, or with respect to the performance by the NMFA of any right or obligation required to be performed by it contained in the Indenture or for the performance by any other Governmental Unit of such other Governmental Unit's obligations under an Agreement or Security Documents.

Limitation of Owners' Right to Bring Suit. No Owner of any Bond has any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, for the appointment of a receiver or Trustee or for any other remedy, at law or in equity, unless:

(a) such Owner has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Owners of not less than a majority of the aggregate principal amount of the Bonds Outstanding have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture;

(c) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

No one or more Owners has any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of the Indenture or the rights of any other Owners or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all Bond Owners. Notwithstanding the foregoing, the Owner of any Bond has the right which is absolute and unconditional to receive payment of interest on such Bond when due in accordance with the terms of the Bonds and the Indenture and the principal of such Bond at the stated maturity of the Bonds and to institute suit for the enforcement of any such payment in accordance with the provisions of the Indenture and such rights will not be impaired without the consent of such Owner.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee, provided that such direction is not in conflict with any rule of law or with the Indenture or unduly prejudice the rights of minority Owners of Bonds.

Application of Funds Upon Default. All moneys received by the Trustee or by any receiver pursuant to any right given or action taken under the default provisions of the Indenture or under the provisions of the related Agreements, will, after payment of the reasonable costs and fees of, and the reasonable expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited during the continuance of an Event of Default (other than moneys deposited to the Bond Fund for the payment of Bonds which have previously matured or otherwise become payable prior to such Event of Default), together with all moneys in the Funds maintained by the Trustee or the NMFA under the Indenture, will be applied as follows:

(a) Unless the principal of all Bonds shall have become due and payable, all such moneys will be applied, as follows:

First: To the payment to the persons or entity entitled thereto of all installments of interest then due on the Bonds, in the order of maturity of the installments of such interest, and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the persons or entity entitled thereto without any discrimination or privilege;

Second: To the payment to the persons or entity entitled thereto of the unpaid principal of and any of the Bonds which have become due (other than Bonds called for prepayment for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on such Bonds at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available is not sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons or entities entitled thereto without any discrimination or privilege; and

Third: To be held for the payment to the persons entitled thereto as the same become due of the principal of, the premium, if any, and interest on the Bonds which may thereafter become due at maturity and, if the amount available is not sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment will be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds becomes due and payable all such moneys will be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with the interest on overdue principal, as aforesaid, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bonds over any other certificates, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys will be applied at such times, and from time to time, as the Trustee may determine, having due regard for the amount of such moneys available for such application in the future. Whenever the Trustee applies such moneys it will fix the date (which will be an Interest Payment Date unless it deems another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Trustee will give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such date and of the Special Record Date in accordance with the Indenture. The Trustee will not be required to make payment to the holder of any unpaid Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default and its consequences and will do so upon the written request of the Registered Owners of (a) a majority in aggregate principal amount of all the Bonds then outstanding in respect of which Default in the payment of principal and interest exist, or (b) a majority in aggregate principal amount of the Bonds then Outstanding in the case of any other Event of Default; provided, however, that there will not be waived (i) any Event of Default in the payment of the principal of any Bonds at the date of maturity specified therein, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default has occurred on overdue installments of interest and all arrears of payments of principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default has been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default has been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee and the Registered Owners will be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission will extend to any subsequent or other Event of Default, or impair any right consequent thereon.

SUPPLEMENTAL INDENTURES

Supplemental Indentures Not Requiring Consent of Owners. The NMFA and the Trustee may, without consent of, or notice to, any of the Owners enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(a) To provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;

(b) To cure any ambiguity or formal defect or omission in the Indenture;

(c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners or the Trustee;

(d) To subject to the Indenture additional revenues, properties or collateral;

(e) To evidence the appointment of a separate Trustee or paying agent or the succession of a new Trustee or paying agent under the Indenture;

(f) To make any other change which in the judgment of the Trustee is not materially adverse to the interests of the Trustee or any of the Owners;

(g) To make any amendments with the prior written confirmation from of the Rating Agency that such amendments will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment; and

(h) To add additional covenants of the NMFA or any Governmental Unit or to surrender any right or power conferred upon the NMFA in the Indenture or any Governmental Unit or to grant additional powers or rights to the Trustee.

Supplemental Indentures Requiring Consent of Owners. Exclusive of supplemental indentures covered by the foregoing section and subject to the following terms and provisions and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding will have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the NMFA and the Trustee of such other indenture or indentures supplemental to the Indenture as may be deemed necessary and desirable by the NMFA for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in this section or in the foregoing section will permit, or be construed as permitting, (i) an extension of the maturity of the principal of, or the interest on, any Bond, or (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures, or (v) permit the creation of any lien ranking prior to the lien of the Indenture on the Trust Estate or any part thereof, or (vi) deprive the Owner of any Bond then outstanding of the lien created by the Indenture on the Trust Estate without the prior consent of 100% of the holders of the Bonds affected by such supplemental indenture. The Trustee may, but is not obligated to, enter into any such supplemental indenture which adversely affects the Trustee's rights, duties or immunities under the Indenture or the Agreements.

If at any time the NMFA requests the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given by registered or certified mail to the owner of each Bond shown by the list of Owners kept at the office of the Trustee. Such notices will briefly set forth the nature of the proposed supplemental indenture and will state that copies thereof are on file at the principal office of the Trustee for inspection by all Owners. If, within one hundred twenty (120) days or such longer period as the holders of not less than a majority in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Governmental Units from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted and provided, the Indenture will be and be deemed to be modified and amended in accordance therewith.

Amendment of Agreements and Security Documents.

(a) The NMFA will have the right to amend an Agreement and any existing Security Documents with the Consent of the Trustee and the related Governmental Unit without Bond Owners' consent, for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred upon the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in the Indenture or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or

Security Documents which in the judgment of the Trustee do not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

(b) If the NMFA or a Governmental Unit propose to amend an Agreement or related Security Documents in a manner not contemplated by (a) above the Trustee will notify the Owners of the Bonds of the proposed amendment and may consent thereto with the consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding.

Fees, Charges and Expenses of the Trustee

Upon an Event of Default, but only upon an Event of Default, the Trustee will have a right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond for the Trustee's advances, fees, costs and expenses incurred.

APPENDIX C

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE

The following economic and demographic information is furnished for information only. The Bonds do not constitute a general obligation of the State and are special obligations of NMFA payable solely from the Trust Estate. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003B BONDS."

Generally

The State of New Mexico (the "State") was admitted as the forty-seventh state on January 6, 1912. It is the fifth largest state, containing approximately 121,593 square miles.

The State's climate is characterized by sunshine and warm, bright skies in both winter and summer. Every part of the State receives no less than 70% sunshine year-round. Humidity ranges from 60% (mornings) to 30% (afternoons). Evenings are crisp and cool in all seasons because of the low humidity.

The State has a semiarid subtropical climate with light precipitation. Thunderstorms in July and August bring most of the moisture to the State. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains).

Governmental Organization

The State's government consists of the three branches characteristic of the American political system: executive, legislative and judicial. The executive branch is headed by a governor, who is elected for a four-year term. A governor may succeed himself in office only once. Following a reorganization plan implemented in 1978 to reduce and consolidate some 390 agencies, boards and commissions, the primary functions of the executive branch are now carried out by seventeen cabinet departments, each headed by a cabinet secretary appointed by the Governor.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected to four-year terms, and members of the House to two-year terms. The Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to sixty calendar days in odd-numbered years and thirty calendar days in even-numbered years. In addition, special sessions of the Legislature maybe convened by the Governor and, under certain limited circumstances, extraordinary sessions may be convened by the legislators. Legislators receive no salary, but do receive per them and mileage allowances while in session or on official State business.

The judicial branch is composed of a statewide system of Magistrate and District Courts, the Court of Appeals and the Supreme Court. The District Court is the trial court of record with general jurisdiction.

Economic and Demographic Information

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the official 2000 United States Census was 1,819,046. In the 1990's, the State was the 12th fastest growing state, as the population increased 20.1 percent from the 1990 population of 1,515,069. Over the same period of time, the national population grew 13.2 percent.

Most of this population growth is occurring in or near the large cities. There are three Metropolitan Statistical Areas (MSAs) in the state. The Albuquerque MSA is comprised of Bernalillo, Sandoval and Valencia Counties; the Las Cruces MSA is in Doña Ana County; and the Santa Fe MSA includes Los Alamos and Santa Fe Counties. The fastest growing counties in the state are Torrance, Valencia, Sandoval, Lincoln, Luna and Doña Ana.

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing, and mining. In Fiscal Year 2001, the value of energy resources production (crude petroleum, natural gas and coal) was approximately $10.6 billion. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The following table presents data on employment by industry compiled by the U.S. Bureau of Labor Statistics for 2001.

Employment by Industry Group
2001

Industry	Employment
Services	222,200
Government	185,800
Retail Trade	147,100
Construction	45,900
Manufacturing	43,100
Transportation & Public Utilities	37,300
Finance, Insurance & Real Estate	32,600
Wholesale Trade	26,600
Mining	16,200

State of New Mexico
Wages and Salaries by Industry Sector, 1990-2000
($ in millions)

	New Mexico		United States		Percent Change		Distribution of 2000 Wages & Salaries	
	2000	**1999**	**2000**	**1999**	**N.M.**	**U.S.**	**N.M.**	**U.S.**
Farm Total	186,056	96,717	16,781	11,767	92.4%	42.6%	0.9%	0.3%
Non-Farm								
Private								
Agricultural Services, Forestry & Fishing	141,363	62,487	30,886	15,164	126.2%	103.7%	0.6%	0.6%
Mining	620,244	507,579	31,219	26,655	32.0%	17.1%	3.1%	0.6%
Construction	1,332,639	579,948	256,807	140,468	129.8%	82.8%	6.1%	5.3%
Manufacturing	1,655,566	997,281	830,026	561,384	66.0%	47.9%	7.6%	17.2%
Transportation & Public Utilities	1,355,344	869,235	313,333	179,390	55.9%	74.7%	6.2%	6.5%
Wholesale Trade	950,063	551,728	332,549	189,402	72.2%	75.6%	4.4%	6.9%
Retail Trade	2,454,562	1,320,835	449,642	264,791	85.8%	69.8%	11.3%	9.3%
Finance, Insurance & Real Estate	1,026,612	554,043	431,911	207,758	88.7%	107.9%	4.7%	8.9%
Services	6,157,282	2,991,912	1,382,404	644,429	105.8%	114.5%	28.3%	28.6%
Total Private	15,743,675	8,425,048	4,058,777	2,229,441	86.9%	82.1%	72.3%	84.0%
Government								
Federal, Civilian	1,281,899	916,102	135,011	99,598	39.9%	35.6%	5.9%	2.8%
Military	472,396	440,596	50,520	46,332	7.2%	9.0%	2.2%	1.0%
State & Local	4,104,359	2,414,368	572,880	356,505	70.0%	60.7%	18.8%	11.9%
Total Government:	5,858,654	3,771,066	758,411	502,435	55.4%	50.9%	26.9%	15.7%
Non-Farm Total:	21,602,329	12,196,114	4,817,188	2,731,876	77.1%	76.3%	99.1%	99.7%
TOTAL:	21,788,385	12,292,831	4,833,969	2,743,643	77.2%	76.2%	100.0%	100.0%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

State of New Mexico
Civilian Labor Force, Employment and Unemployment
in New Mexico and the United States, 1991-2001

	Civilian Labor Force (000)		Number Employed (000)		Unemployment Rate		
Year	**N.M.**	**U.S.**	**N.M.**	**U.S.**	**N.M.**	**U.S.**	**NM as % of U.S. Rate**
1991	726	126,346	674	117,718	7.1%	6.8%	104%
1992	741	128,105	689	118,492	7.0%	7.5%	93%
1993	756	129,200	698	120,259	7.7%	6.9%	112%
1994	778	131,056	729	123,060	6.3%	6.1%	103%
1995	791	132,304	741	124,900	6.3%	5.6%	113%
1996	798	133,943	734	126,708	8.1%	5.4%	150%
1997	814	136,297	763	129,558	6.3%	4.9%	129%
1998	831	137,673	780	131,463	6.2%	4.5%	138%
1999	809	139,368	764	133,488	5.6%	4.2%	133%
2000	833	140,863	792	135,208	4.9%	4.0%	123%
2001	838	141,815	798	135,073	4.8%	4.8%	100%

Source: New Mexico Department of Labor, Bureau of Labor Statistics

State of New Mexico
Per Capita Personal Income in New Mexico and the U.S., 1991-2001

	Per Capita Income			Annual % Change	
Year	**New Mexico**	**U.S.**	**NM as % of U.S.**	**New Mexico**	**U.S.**
1991	$15,661	$20,023	78%	4.8%	2.3%
1992	16,274	20,960	78%	3.9%	4.7%
1993	16,999	21,539	79%	4.5%	2.8%
1994	17,636	22,340	79%	3.7%	3.7%
1995	18,435	23,255	79%	4.5%	4.1%
1996	18,964	24,470	78%	2.9%	4.4%
1997	19,641	25,412	77%	3.6%	4.7%
1998	20,551	26,893	76%	4.6%	5.8%
1999	20,949	27,843	75%	1.9%	3.5%
2000	21,931	29,469	74%	4.7%	5.8%
2001	23,162	30,271	77%	5.6%	2.7%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

APPENDIX D

CERTAIN INFORMATION CONCERNING THE GOVERNMENTAL UNITS WITH REPAYMENT OBLIGATIONS IN EXCESS OF 5% OF REVENUES

Generally

Albuquerque is the largest city in the State, accounting for roughly one-quarter of the State's population. Located at the center of the State in Bernalillo county at the intersection of two major interstate highways and served by both road and air, Albuquerque is the major trade, commercial and financial center of the State.

Security for Payments on NMFA Loans

Special Assessment District Loans

The City of Albuquerque has created a number of special assessment districts within the City pursuant to statutory procedures and in compliance with City policies. The districts make needed infrastructure improvements, such as street, storm drainage, sanitary sewer, water, electric line and gas line improvements, and assess the costs thereof against the property benefiting from such improvements. The assessments have a lien on each parcel of land in the district as to the respective amounts relating to such parcel, which lien has a priority on the land equal to the lien thereon for general and ad valorem taxes and superior to all other liens, claims and taxes.

Pursuant to a Tax Exempt Loan Agreement in the amount of $11,568,376 and a Taxable Loan Agreement in the amount of $788,685, both entered into on July 27, 2000 between Albuquerque and the NMFA, Albuquerque has pledged to the NMFA the money collected from its Special Assessment District No. 226 ("District 226"). District 226 provides infrastructure improvements to 29 streets, all within Albuquerque City Council District No. 1 and comprised of portions of the Knolls at Paradise Hills (located north of Congress Avenue and east of Golf Course Road).

Pursuant to a Loan Agreement in the amount of $3,867,500 entered into on December 15, 2000 between Albuquerque and the NMFA, Albuquerque has pledged to the NMFA the money collected from its Special Assessment District No. 225 ("District 225"). District 225 provides infrastructure improvements to the Paradise Heights - Unit 1 Subdivision within the northwest quadrant of the City. District 225 is bounded on the north by the Blacks Arroyo Flood Control improvements; on the east by Seven Bar Subdivision Developments; on the south by McMahon Boulevard; and on the west by vacant land west of the lots fronting Dover and Buckboard Streets.

Pursuant to a Loan Agreement in the amount of $2,605,539 entered into on October 26, 2001 between Albuquerque and the NMFA, Albuquerque has pledged to the NMFA the money collected from its Special Assessment District No. 222 ("District 222"). District 222 provides infrastructure improvements to a rapidly developing area within the southwest quadrant of the City very near the western City limits. District 222 is bounded on the north by Central Avenue and Sunset Gardens Road; on the east by 98' Street, 86", 82', and Snow Vista Boulevard; on the south by San Ygnacio and Benavides Roads; and on the west by the Snow Vista Channel.

The City and the NMFA entered into a Loan Agreement in the amount of $1,314,322 on May 24, 2002 relating to the City Special Assessment District No. 216 ("District 216"). District 216 provides infrastructure improvements to an area generally between AT&SANTA FE Railroad lines on the west, Montaño Road on the north, AMAFCA North Diversion Channel on the east and an extension of Aztec Road on the south. Approximately one third of the property is outside the Albuquerque Municipal Limits. Bernalillo County provides street and drainage improvements to areas lying within the County and outside the City limits.

Helicopter Loan

Pursuant to a Loan Agreement in the amount of $700,000 entered into on April 27, 2001 between Albuquerque and the NMFA, Albuquerque has pledged to the NMFA the money collected from a subordinate pledge of State-Shared Gross Receipts Tax revenues of the City for a police helicopter.

Drinking Water Loans

On May 10, 2002, the City and the NMFA entered into a $2,450,000 Drinking Water State Revolving Fund Loan Agreement and a $450,000 Public Project Revolving Fund Loan Agreement financing the construction of several chemical storage facilities at various sites as part of the City's program of converting from gas chlorination systems to onsite generation of sodium hypochlorite for water supply disinfection. The City pledged the net revenues of its water and sanitary sewer system to the repayment of these loans. Only the $450,000 PPRF Loan Agreement is part of the PPRF program.

Stadium Loans

The City and the NMFA entered into a Taxable Surcharge Loan Agreement in the principal amount of $9,000,000 and a Taxable Stadium Lease Loan Agreement in the principal amount of $6,000,000, both to finance the renovation of the Albuquerque Sports Stadium. The Taxable Surcharge Loan Agreement is secured by the revenues to be collected from the City's Stadium Surcharge imposed pursuant to City Council Ordinance Enactment No. 60-2001, and equal to ten percent (10%) of Stadium receipts as described therein. The Taxable Stadium Lease Loan Agreement is secured by all revenues derived by the City from the Albuquerque Baseball Club, LLC pursuant to the Stadium Lease Agreement dated October 2001. Both loans are also secured by a pledge of revenues from the State of New Mexico gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, and imposed on persons engaging in business in the State. These loans may be included in the PPRF program in the future.

APPENDIX E

FORMS OF OPINIONS OF CO-BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

[Form of Opinion of Ballard Spahr Andrews & Ingersoll, LLP]

June _, 2003

New Mexico Finance Authority
409 St. Michael's Drive
Santa Fe, New Mexico 87505

Re: New Mexico Finance Authority Public Project Revolving Fund Revenue Refunding Bonds, Series 2003B

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Refunding Bonds, Series 2003B in the aggregate principal amount of $25,370,000 (the "Series 2003B Bonds"). The Series 2003B Bonds are being issued for the purpose of providing funds to (i) refund the NMFA's currently outstanding Public Project Revolving Fund Revenue Bonds, Series 1995A maturing on and after June 1, 2006 and Public Project Revolving Fund Revenue Bonds, Series 1996A maturing on and after June 1, 2007, and (ii) pay costs of issuance.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21-1 et seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 2003B Bonds are authorized under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995, as heretofore amended and supplemented (the "General Indenture"), and as further amended and supplemented by a Fifty-Second Supplemental Indenture of Trust dated as of May 1, 2003 (the "Fifty-Second Supplemental Indenture," and collectively with the General Indenture, the "Indenture") between the NMFA and Bank of Albuquerque, N.A., Albuquerque, New Mexico, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The NMFA has previously issued other series of its Public Project Revolving Fund Revenue Bonds which are outstanding under the Indenture (the "Outstanding Parity Bonds" and sometimes together with the Series 2003B Bonds, the "Bonds"). The Series 2003B Bonds are issued and secured with a lien on the Trust Estate on a parity with the lien of the Outstanding Parity Bonds on the Trust Estate.

We have reviewed the Indenture, an opinion of the office of the Attorney General of the State of New Mexico, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 2003B Bonds. The NMFA and each Governmental Unit have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2003B Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2003B Bonds. We have assumed, without undertaking to determine or confirm, continuing compliance by the NMFA and each Governmental Unit with such requirements and restrictions in rendering our opinion regarding the tax exempt status of interest on the Series 2003B Bonds.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Series 2003B Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged under the Indenture to secure the payment of the principal of and interest on the Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2003B Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a general obligation or other indebtedness of the State of New Mexico or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

4. Based on an analysis of currently existing laws, regulations, decisions and interpretations, interest on the Series 2003B Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

5. Under the laws of the State of New Mexico as enacted and construed on the date hereof, interest on the Series 2003B Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2003B Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2003B Bonds; and

(c) although we have rendered an opinion that interest on the Series 2003B Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003B Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003B Bonds.

Respectfully submitted,

[Form of Modrall, Sperling, Roehl, Harris & Sisk, P.A. Opinion]

June ___, 2003

New Mexico Finance Authority
409 St. Michael's Drive
Santa Fe, New Mexico 87505

Bank of Albuquerque, N.A.
Trust Division
201 Third Street, Suite 1400
Albuquerque, New Mexico 87102

Re: New Mexico Finance Authority Public Project Revolving Fund Revenue Refunding Bonds, Series 2003B

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Refunding Bonds, Series 2003B in the aggregate principal amount of $25,370,000 (the "Series 2003B Bonds"). The Series 2003B Bonds are being issued for the purpose of providing funds (i) to refund the NMFA's currently outstanding Public Project Revolving Fund Revenue Bonds, Series 1995A maturing on and after June 1, 2006 and Public Project Revolving Fund Revenue Bonds, Series 1996A maturing on and after June 1, 2007, and (ii) to pay the costs of issuance of the Series 2003B Bonds.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21-1 et seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 2003B Bonds are authorized to be issued under and secured by a General Indenture of Trust and Pledge dated June 1, 1995, as heretofore amended and supplemented (the "General Indenture"), and as further amended and supplemented by a Fifty-Second Supplemental Indenture of Trust dated as of May 1, 2003 (the "Fifty-Second Supplemental Indenture", and collectively with the General Indenture, the "Indenture") between the NMFA and Bank of Albuquerque, N.A., Albuquerque, New Mexico (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The NMFA has previously issued other series of its Public Project Revolving Fund Revenue Bonds which are outstanding under the Indenture (the "Outstanding Parity Bonds", and sometimes together with the Series 2003B Bonds, the "Bonds"), the Series 2003B Bonds are issued and secured with a lien on the Trust Estate on a parity with the lien of the Outstanding Parity Bonds on the Trust Estate.

We have reviewed the Indenture, an opinion of the Attorney General of the State, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the certified proceeding and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Series 2003B Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged therefor under the Indenture, to secure the payment of the principal of and interest on Bonds subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2003B Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a debt or liability of the State of New Mexico or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2003B Bonds and the enforceability thereof and of the Indenture maybe subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Series 2003B Bonds; and

(c) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2003B Bonds or any other offering material relating to the Series 2003B Bonds and we express no opinion relating thereto.

Respectfully submitted,

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the NMFA believes to be reliable, but the NMFA takes no responsibility for the accuracy thereof.

DTC will act as securities depository for the Series 2003B Bonds. The Series 2003B Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Series 2003B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with or held for the account of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCQ, as well as by the New York Stock Exchange Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to DTC is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2003B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003B Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2003B Bonds, except in the event that use of the book-entry system for the Series 2003B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series 2003B Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2003B Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2003B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2003B Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC, by Bank of Albuquerque, N.A. (the "Paying Agent" and the "Bond Registrar"). DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the NMFA or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Paying Agent or the NMFA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the NMFA or the Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

So long as Cede & Co. or its registered assign is the registered owner of the Series 2003B Bonds, the NMFA and the Paying Agent will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the NMFA or the Paying Agent and the NMFA and the Paying Agent will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Series 2003B Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC, and neither the NMFA nor the Paying Agent has responsibility for distributing such notices to the Beneficial Owners.

The Paying Agent does not have any responsibility or obligation to the DTC Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series 2003B Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2003B Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Series 2003B Bonds.

DTC may discontinue providing its services as securities depository with respect to the Series 2003B Bonds at any time by giving reasonable notice to the NMFA or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The NMFA may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

APPENDIX G

SPECIMEN SERIES 2003B BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

President

Attest: ______________________________

Assistant Secretary

STD-R-6
4/95

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]